Wage Policy in Economic Development

Some Critical Issues

Subbiah Kannappan

India's industrialisation plans and the associated labour problems have been widely discussed both in India and abroad. Particular attention has been given to the considerations underlying official, industrial relations policy.

The issues involving industrial wage policy, however, have suffered from relative neglect. Neither economic analysis, nor a systematic assembly of relevant statistical measures, has been in the forefront of attempts to define a wage policy appropriate to economic development.

An exception is the pioneering work of Shreekant A Palekar, one of the leading students of Indian wage problems. Two monographs embody his contribution and sharply challenge the approach to wage policy embodied in official documents.

This article is concerned primarily with developing the contrasting positions of Palekar and the authorities responsible for formulating and implementing a wage policy.

This will be followed by an analysis of some recent developments which indicate new priorities for research and discussion in wage policy.

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THE theoretical approach to wage policy is implicit in the development strategy embodied in the various five-year plans. This calls for increasing the average and marginal rates of saving in the economy. The stress on capital accumulation has usually been interpreted to imply a curtailment of increases in personal consumption, including wage restraint. However, discussions on this subject have also recognised, on grounds of industrial efficiency, the need for a minimum wage. The need for adequate differentials to encourage skill capital formation is also generally accepted. The consensus is, however, more apparent than real. One must reconcile the objective of restricting consumption with the objective of allowing an increase on grounds of its inducement to productivity. Discusisons on enforcing minimum wages have also been inconclusive, the advocacy of a higher minimum wage for those employed being qualified by a fear of employment consequences. It has also been argued that differentials are already too large and should be reduced even while the emphasis has been on encouraging the supply of scarce skills. The institutional framework appropriate to the requirements of a wage policy is also a matter at issue. This is particularly, true in a country like India undertaking planned economic development and attempting to integrate relatively autonomous groups in industry and in the labour movement into a common framework. The Indian approach to these problems is thus of some interest as it throws light on how overall planning is translated into specific policy on one key issue, namely, wages.

No Clearcut Pronouncement

It is not possible, however, to distinguish a single document as a clear cut official pronouncement spelling out the principles of wage policy as an integral part of development planning. The major statements on wage policy were evolved before the commencement of planning. Although economic constraints were undoubtedly always present, the earlier statements were mainly concerned with evolving a formula acceptable to labour and management representatives in the industrial sector rather than with defining a wage policy as part and parcel of overall economic policy. The policy of restoring the pre-war "minimum" wage, the adoption of the "living" wage as an ultimate goal with the "fair" wage as an intermediate one, the use of annual bonus payments based on the profits of enterprises to bridge the gap between the minimum and "fair" wage levels, and dearness allowances to compensate for increases in the cost of living, were all thus principles which had gained general currency before the advent of planning. With the adoption of the plans, however, the principle of wage restraint was stressed, but the earlier statements continued to be subscribed to. Nor was the formulation of wage policy centralized in the hands of the Planning Commission. Thus, even as late as 1957, after the commencement of the Second Five Year Plan, the Ministry of Labour issued a document defining wage policy and the 15th session of the Indian Labour Conference issued a call for the adoption of a Need Based Minimum Wage as national policy. We are left, therefore, with only two attempts to define a wage policy as part of a development plan, namely in the first and second five year plans. The Third Five Year Plan is devoted mainly to discussing procedural details rather than issues of policy.

Wage Restraint in First Plan

The more detailed discussion of wage policy in the first two plans thus merits a brief summary. The First Plan emphasized the need to restrict consumption, but proceeded to call for restrictions on the return to capital as well as labour, including in the former category retained as well as distributed earnings and payments to management. Wage in-
creases were opposed “if it is reflected in costs of production and consequently raised the price of the product.” Exceptions were recommended:

to remove anomalies or where the existing rates are abnormally low; to restore the pre-war real wage, as a first step towards the living wage, through increased productivity resulting from rationalisation and the renewal or modernisation of plant.

Other recommendations aimed at lull and effective implementation of minimum wages, compulsory savings from profit-sharing bonus payments to workers, scientific assessment of workloads, and standardization of wages without prejudice to equalizing differentials for skill, strain and hazards for different jobs. For the rest, the statement called for a codification of existing practice, permanent wage boards to secure appropriate implementation, and improved availability of data. The official statement was clearly also influenced by a concern for two underlying considerations of social policy, namely, the overall “socialistic” objective of reducing income inequalities, and the need for parity in the treatment of capital (management) and labour.

Second Plan Shifts Emphasis

The Second Plan statement revealed some shifts in emphasis. There is a declaration favouring rising real wages, but this is accompanied by a warning that, beyond the level of “minimum” wages, improvements in real wages “can result mainly” from increased productivity and should be related to “results.” The principle is advanced that labour should be given an increase in wages as a function of improvements in productivity but there is no attempt to relate the rates of changes in these two measures more specifically. The “fair,” rather than the “minimum” wage becomes the standard of wage attainments. The employment consequences for marginal units is raised, but discussed only indecisively: it is not unequivocally accepted that a (“fair”) wage standard should be enforced which will result in the closure of marginal units, but steps to improve their functioning, including amalgamation, are recommended. The need for improved data and further studies is reiterated.

Dr Palekar is not in disagreement with what has been described above as wage policy implicit in development strategy, but he criticizes the Planning Commission (and the Labour Ministry) for their failure to follow through with explicit conclusions for wage policy. Economic and non-economic (such as social, political and welfare) objectives are intrinsically mixed up with the result that wage policy is undefined, and implementation confused, halting and even self-contradictory. These points are supported by reference to the sins of omission and commission of Indian authorities in a catalogue which is too long to repeat here. Two charges are illustrative. Responsibility is sometimes evaded by merely failing to deal with an issue. Thus he argues:

“Perhaps the most serious omission in the section on labour policy,... is the failure to analyze an important problem like the wage problem and to make some clear policy statement on it.... The TFYP [Third Five Year Plan], in its section on labour policy, is attempting to enact Hamlet without the Prince of Denmark!”

Confused thinking is compounded by a lack of capacity for action and a tendency to procrastinate on major issues by pointing to the need for more studies and surveys.

Implementation of Wage Policy

Wage policy, according to Dr Palekar, must clearly distinguish between the compelling economic conclusions and the problems of securing implementation. Clear cut economic policies are dictated by the “inexorable” logic of the historical experience of the industrially advanced countries, notably the United States, the United Kingdom and the Soviet Union. The experience of “entirely different political and economic creeds points to the same conclusion” that in the early phases of development, industrial workers suffered “severe hardships” or that the “real wages of workers and their share of factory output were not only not allowed to rise but even declined...” This is also the clear implication for India with its declared objective of “socialism”.

The welfare overtones of “socialism” are, however, another matter. The planners are criticized for stating that a “socialist pattern of society... requires that a worker’s claims to improve his economic and social status be recognized,” as it inappropriately mixes up the politics of wage fixation with its economics. One must quote him in full to get the flavour of his position:

"Even at the cost of repetition, it must be emphasized again that the objective of giving the worker a ‘fair’ or due share of the national income... or, by implication, of the net factory output, and thus reducing income inequality is not only different from the objective of providing him with the basic necessities of life, but is even incompatible with it. The problem of capital accumulation must, on an analytical plane, be clearly separated from the problem of giving the worker his due share in the factory output or from the still more different problem of reducing inequalities of income. If capital formation and economic development are to be the overriding goals of wage policy, then the problem of industrial poverty must be tackled in physical terms outside the ordinary framework of distributive mechanism. Wage policy is thus faced with a dilemma and must make a choice. Such a policy cannot simultaneously attain the twin goals of assisting capital formation and at the same time of making amends for the accumulated injustice of an unfair yet age-old social and economic system."
Resolution of 1948 and the Report of the Committee on Profit-Sharing in 1951, also come in for criticism. The former proclaimed the principle that "a fair wage to labour must be the first charge on industrial production," and the latter recommended that profit-sharing be adopted to further industrial peace.

Palekar is critical of the concept of profit-sharing as well as of the concept of 'fair wage.' The latter cannot be a first charge in Indian industry and a development plan cannot equate profits and wages in view of the established priority for capital accumulation. The factual record is considered to be unimpressive in view of the "large" proportion of net value added by manufacture which is distributed as wage payments. In his own colourful way, he argues: "If everyone is to ride the horse of economic development, someone must sit in front and others behind!"

Subsistence and Efficiency

Although capital accumulation and wage restraint constitute the core of Palekar's arguments, he does not accept the implication that industrial workers should be paid the present low wages. A survey of real wages in Indian industry leads him to the conclusion that wages paid are below subsistence levels and thus below the requirements of efficiency. He contends that oligopolistic and monopolistic trends in Indian industry pose a conflict between employment and price stability even at such an early stage of development, but appears to feel that these trends are inevitable. It is recognized that the growth of several industries with a capital-intensive structure may limit the spread of employment, but he notes only casually that this may give rise to problems of equity within the urban labour force and between the urban and rural working population. His advocacy of a higher real wage rests, however, on the proposition that labour costs constitute a small fraction of total unit costs, and on the scope for curbing exorbitant practices of managements in operating costs, padded expense accounts, and the like.

A first requirement is to guard against the erosion of real wages due to rise in prices. However, he is critical of the present method of dearness allowances to compensate for increases in the cost of living as these only feed the inflationary pressures in the economy. The abolition of food control and rationing is criticized as the worker is thus "asked to struggle in a free competitive price market for scarce necessities to buy his minimum requirements of food." He advocates instead a thorough-going agrarian reform, and a policy of making wage goods (principally food) available to the industrial worker at stable prices. This should not only permit an adequate labour supply and satisfactory labour performance, but perhaps also provide for modest increases without prejudice to the needs of capital accumulation.

Areas of Agreement and Difference

His analysis rests on assumptions about the long-run supply function which are similar to the models advanced by Professor Arthur Lewis. However, Palekar is not sanguine about efforts to secure a release of the agricultural "surplus," either because of difficulties of extending taxation in rural areas, or because for other reasons (such as increased consumption of those staying behind in the villages) it may be difficult to increase the marketed surplus from agricultural production. Given the large fraction of the family budget devoted to food expenditures, and the income-elastic and price-elastic nature of the demand for food, this may result in higher prices for farm products, higher wages in the urban industrial sector, and a shift in the terms of trade adverse to the industrial sector. This implies inevitably that the industrial workers are condemned to live on the margin of subsistence. Subsistence level workers are not, however, an unmixed blessing. They carry with them a peasant outlook, and either for this reason or because of low levels of stamina or health are only partially committed to work in industry. Hence the need for government action to command food surpluses and to assure minimum subsistence in real standards of food and shelter.

In evaluating these divergent approaches to wage policy, it is worth stressing the area of agreement. They both flow from a central premise which considers it not only necessary but also feasible to raise the rate of saving given the relatively large manpower surpluses. This conception of the problem is evidently a common constraint in what appear to be differing approaches to the problems of defining wage policy. Thus, both Palekar and the Indian authorities have stressed the need for wage restraint as a means of contributing to the saving potential of the economy. Paradoxically, they have both placed special emphasis on increasing the real wages of workers at the margin of subsistence, presumably because special action along these lines is considered necessary in view of the depressing effect of manpower surpluses in the economy.

They differ thus mainly in the extent to which they appear willing to recognize the difficulties of implementation. Palekar is frank in calling for sweeping powers of direction in the economy, including direct wage and price controls, which admittedly the Indian government does not at present have. By these means, particularly by commandeering food surpluses, Palekar feels the workers can be assured of a higher real wage without feeding inflationary pressures in the economy. The approach of the Indian authorities is not, however, authoritarian, but one of setting guideposts in the form of statements on wage policy. Wage determination as such has been left to a complex machinery of tripartite consultation, pay commissions, tribunals, wage boards, and decentralized collective bargaining, in the hope that, their decisions will reflect respect for the more general statement, of principles.

Industrial Relations Not Expendable

On the whole, however, this has been a conservative procedure. There has been no attempt as such to impose wage ceilings, and probably there has been no operative ceiling except in the case of some of the centrally regulated national industries like railways, defence, or posta and telegraphs, where the budgetary position of the Indian government has acted as a direct restraint. No, except for the initial post-Independence wave of wage revisions, has there been much enthusiasm for securing across the board increases in real wages (except of course for revisions in dearness allowances paid to compensate for price increases). Further, a considerable part of the energies of the Indian government (and particularly of central and
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state labour ministries), have been directed towards stabilizing or improving labour relations. These include such objectives as healthy unionism, direct collective bargaining relationships, and managerial flexibility, which are desirable goals of public intervention in industrial relations.  

Criteria for Public Action

I am willing to argue, as I have already done, the need for improvements in these efforts. It is, however, difficult for me to accept the notion that industrial relations goals are expendable objectives in the course of development. Palekar is right, I think, in stressing the analytical distinction between conclusions posed by economic analysis and those suggested by other considerations such as equity or politics. But these are mainly analytical distinctions of value to the social scientist in terms of the tools of analysis with which he is familiar. The Planning Commission (or the Labour Ministry) cannot, however, be rigidly bound by these distinctions for its most important job is to act as a conciliator of conflicting objectives, economic as well as noneconomic.

Even apart from competing or conflicting objectives of policy, there is, I believe, a considerable need for caution in proceeding from general theoretical propositions to definite prescriptions for public action. The historical circumstances that permitted "exploitation" of labour in the advanced industrialized countries do not obtain now in India. The historical experience has also been subject to different statistical interpretations, and this, as Ashton has pointed out, the industrialization of the United Kingdom could be conceived of as one which permitted real wage gains for certain groups—those who found employment and whose skills were in scarce supply, while others—the less skilled or unemployed or partially employed proletariat, were left behind. This is perhaps an accurate description of trends now visible in India.

There is then a case for developing fairly detailed distinctions as criteria for public action, to identify both the causes of upward wage pressure as well as the factors underlying the low wages paid to industrial workers. Even if one is able to do this, it may be difficult to advance a case for wage restraint solely within the framework of macro-economic analysis, given the relatively small proportion of wage incomes in manufacturing to the national income, the unverified nature of assumptions about the relative size of marginal propensities to save from wage and non-wage incomes, the high-cost practices of management to which Palekar draws our attention, the incentive value of higher wages, and, finally, the costs of policing a policy of wage restraints. Across the board recommendations for real wage increases, on the ground that they permit a higher standard of consumption which is conducive to efficiency, are also difficult to translate into practice. In theory also, it must be demonstrated that the private business calculus will fail, or be unable to appreciate the value of such investment in human resources. One must guard against the dangers implicit in awarding wage increases which can be obtained only at the expense of increases in employment and further accentuate the inequities in the labour market.

Wage Share of Value Added

A major problem in this respect is posed by the lack of adequate data pertaining to wages and employment. There are a number of intricate and important questions concerning the coverage represented by Indian official statistics, their breakdown, and their statistical reliability which, though too long to be mentioned here, frustrate anything but the most general analysis. Palekar's work is unquestionably the most exhaustive and competent assembly of the official series, but the issues raised by his challenging analysis of problems of wage policy in economic development, or the sweeping indictment of the official record, cannot be sustained by the data now available. He criticizes the Indian authorities for permitting such a large share of net value added being distributed in the form of wages, and in a more detailed year by year survey of the course of this statistic, praises or criticizes the government depending on whether it went down or up.

But a cross-sectional comparison of the wage share of the value added by manufacture suggests that the principal influence is the capital intensity per worker and that the relationship is inverse. Again the ups and downs of the wage share appear primarily to be a reflection of business conditions facing the industries in question rather than of public policy.

One of the main problems in this respect is that both those who defend or criticize, government policy have in effect endowed the government with a measure of control and influence in labour market decisions which is an over-state statement of the actual position. Hence, it has been criticized or praised for wage increases which have taken place, or sometimes, as in the case of Palekar or many union-centred criticisms, for not having effected upward revisions in industrial wages. The role of independent forces in the economy which, even while keeping the general industrial wage at a low level, have exerted upward pressures on industrial wages, have not come in for as much attention.

The proposition that the industrial wage should be low in a populous country like India is generally accepted, sometimes too uncritically. However, the presence of independent and persistent forces which have exerted an upward pressure on industrial wages, forces in part released by more general economic developments currently under way, has not been as well recognized. The rest of this article will be devoted to an elaboration of this aspect. However, for reasons of space, no less of time and the facilities to undertake an exhaustive inquiry, I shall confine myself to general observations pertinent to the current situation in India, mainly as a plea for further research in this field.

Delhi Labour Market

The rate of growth of the industrialized sector is faster than the general rate of growth of the entire economy and, clearly by implication, the agricultural sector. It is also not unlikely that, in specific urban areas, the industrialized sector has grown more rapidly than the rest of the urban economy and the general urban population. We know virtually nothing about the facts of this growth, the projected study of the Madras labour market being about
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the first major study of an urban labour market. Available information on wages and employment pertains mainly to the organized "industrial" sector, but even here specific city-wise breakdowns are difficult to obtain. And we know little about the extent to which an increase in the demand for labour in the organized sectors is matched by parallel increases in the other sectors of the urban economy. The crucial question is the extent to which expansion of industrial and urban needs is matched by increased flow of labour in the directions where the need is the greatest. 13

Somewhat systematic but still inadequate information is now available for Delhi which gives a better picture of developing labour shortages in India. The information is briefly summarized below. 14 One must caution the reader that the explanations regarding concepts and statistical methods used are scanty and this provides only a rough picture of the situation in the industrial and urban labour market. The reported data is nevertheless an important pointer to research in this field.

As against 621 vacancies for fitter machinists, tool makers, and machine tool operators reported to the employment exchange in 1961, 102 or 16.42 per cent were filled. In the case of bleachers, dyers, and finishers, there were 151 vacancies of which 1 or 0.66 per cent were filled. For oilers and greasers, on the other hand, there were 93 vacancies of which 72 or 77.42 per cent were filled. For packers and labellers, 42 out of 203 vacancies or 20.6 per cent were filled. For all categories of craftsmen and production workers 796 out of 5,604 or slightly over 14 per cent were filled.

Relative Shortages

Vacancies cancelled as a percentage of vacancies notified were as high as 100 per cent for blowroom workers and carders, coach and body builders, engravers, furnacemen and so on for twelve categories. For another five categories, the figure was above 90 per cent, and in respect of all the 49 categories examined for Division 7 and 8 (craftsmen and production process workers), 33 reported cancellations of over 50 per cent. For all workers in this group, the cancellation was a little over 62 per cent. Surprisingly, even in the case of unskilled workers such as cleaners and sweepers, only 600 out of 1,668 were filled, or 56.2 per cent. The figures were respectively 1,100 out of 1,936 or 56.2 per cent for unskilled workers and 347 out of 885 or 39.2 per cent for watchmen and chowkidars. However, cancellation figures for unskilled workers were relatively low, being 1,068 or 26.70 per cent for cleaners and sweepers, 355 or 18.10 per cent for unskilled office workers, and 346 or 39 per cent for watchmen and chowkidars. For all unskilled workers the cancellation stood at over 27 per cent.

The explanations provided for the statistical concepts used are meagre, and it is not clear to what extent the inability of the employment exchange was easily supplemented (or circumvented?) by direct employer recruitment. The data is nevertheless indicative of the relative shortages of manpower, it being most pronounced for craftsmen and production process workers who constitute according to the Report, about 55.1 per cent of the total shortfall in supply. Differential Growth Rates and Wages

The issues raised by developing labour shortages become more compelling as we study the patterns of growth within the industrial sector. Differential rates of growth may be expected to have their impact not only on the wage structure in industry, but also increasingly on the industrial wage level. The skill coefficients worked out by Pitamper Pant and his colleagues also suggest—unfortunately no more than that due to the broad occupational categories employed, problems of comparability with corresponding output data for industries, and the large percentages reported as "unclassified" that the new industries with high rates of growth also require a higher proportion of skills which the Delhi Manpower Survey would place in the "relatively scarce" category. 13 Due to the difficulties posed by the lack of comparability of the data, however, it has not been possible to work out statistical correlations. 15 Nevertheless the influence of the variables reported in this paragraph should be kept in mind as possible factors pushing up wages as well as altering the ranking by industry of the industrial sector.

(Related product market considerations also exercise upward pressure on wages. These include, as Palekar notes, a substantial measure of concentration in the industrial structure. Favourable product market conditions are also insured due to the virtual absence of imports, and the nature of the income elasticities of demand for goods produced in the manufacturing sector. We are concerned with two types of elasticities, elasticity of demand for goods and services as a function of personal disposable income, and the more general elasticity with respect to changes in national income. Both are presumably high. On both a priori and impressionistic grounds, one may argue that there is a growing and unfulfilled demand for many items of domestic production—reflected only partly in increases in price, and for the rest in various forms of non-price rationing. Given such favourable conditions—there seems little doubt that Indian industrialists face a rosy future—there has developed among many industrialists a permissive attitude towards wage increases. When costs of domestic production are considerably out of line with world prices for many items of production, the proposition that labour costs constitute a small fraction of total unit costs is, in my view, an insufficient justification for across the board wage increases.

Rigid Wage Policies Hamper Public Sector Enterprises

Of course, not all firms or employees can afford to be generous, but there is evidence to suggest that this lack of flexibility has worked to their disadvantage. This appears to be the present situation confronting the Indian public sector enterprises and was brought forcibly to my attention during field interviews in the summer of 1962 with leading officials. Rigid wage policies have hampered their recruitment of labour and technical personnel, for which partial relief was provided by resorting to special allowances, accelerated promotion and so on. This also appears to be the case in such centrally regulated industries like railways, post and telegraphs, or defence, where wage rate revisions are infrequent
The Sugar Industry in National Economy

Contributions to National Exchequer
- Central Excise Duties: Rs. 74 Crores
- State Governments' Cane Cess: Rs. 15 Crores
- Co-operative Societies' Commission: Rs. 89 Crores

Investment and Production

Employment
- No. of persons employed in sugar mills: about 1,90,000 representing 6% of the entire labour force in Indian Factories. Aggregate Annual Salaries, Wages and Benefits: About Rs. 20 crores.

Export
- 1957: 1,46,811 metric tons, earning Rs. 11.89 crores of foreign exchange.
- 1958-60: 83,658 metric tons, earning Rs. 4.06 crores of foreign exchange.
- 1961: 2,67,869 metric tons, earning Rs. 13.29 crores of foreign exchange.
- 1962: 3,73,374 tons, earning Rs. 14.82 crores.

Supports Agricultural Economy
- Caters to about 20 million Agriculturists and their dependents. Annual payment to cane-growers: About Rs. 130 Crores.

The Indian Sugar Industry Vital to India's National Economy

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and pertain to employed categories. It is a mistake, however, to consider such problems as arising only in respect of skilled labour. Thus a visit to a leading public sector plant brought forth the surprising information that as against over 1,000 semi-skilled trainees required, about only 60 applicants were forthcoming. This is not inconsistent with the notion of pockets of local surpluses not coinciding with local needs, except that this plant was located in a principal city of India, at warth major transportation routes. The data reported above for Delhi is also surprising.

The prevalence of these shortages raises the issue of what steps should be taken to insure an adequate labour supply for India's developing programme of industrialization. It has been commonly accepted that India possesses a large reservoir of manpower, and a counting of heads may suggest a promising basis for economic development. It is equally a well established proposition, however, that industrial development requires special skills and forms of work-discipline which are novel to the traditional environment. The market for humans, as other markets in early stages of development is characterized by inefficiencies due to prejudice, waste, imperfect information and various artificial and natural barriers to effective manpower utilization. Historically, partial answers were provided by the middleman-contractor who mediated between supply and demand for labour, and assumed some managerial responsibilities. Even today he plays an important role in a key industry like construction. Employers have pard and continue to pay special premiums to encourage desirable forms of work behaviour as these reduce the complementary costs of management or wear and tear on equipment which is in scarce supply. It seems to me then that, far from labour being a plentiful resource, it may well be scarce if qualitative requirements are specified. This is not of course likely to be a serious problem if industry could be operated effectively despite workforce instability and if the unemployed workers are ready and satisfactory substitutes. Employer behaviour suggests, however, that this is not the case.

Requirements of Wage Policy Complex

The preceding paragraphs are intended to suggest that the requirements of a wage policy are exceedingly complex and take us beyond the answers suggested by macro-economic analysis alone. This is not to deny the utility of aggregative economic analysis based on relative factor endowments or the validity of prescriptions recommending a greater use of labour because of divergences between the market and real cost, of labour. However, short of extensive direct control in factor and product markets, it may also be well-nigh impossible to expect wage policy to be a determined bulwark against upward wage pressures induced by more general economic policies. Nevertheless wage policy can make some advances in limited areas by a strategic choice of weapons. In specific cases, these may include such methods as direct wage and price control, decentralization of the bargaining process, or even periodic, country-wide settling as adopted by the Central Government in some of the large national industries. One of the most promising, to my mind, is policies aimed at improving the efficiency of labour markets by weakening both artificial and natural barriers to mobility and acquisition of skills.

Discussions on wage policy must increasingly be buttressed by more specific economic analysis, by more detailed appraisals of what is taking place in the Indian economy, and by more concerted efforts to identify and assemble the data relevant for this purpose. Palekar's own efforts are of a heroic magnitude, and some of his suggestions such as that wage goods must be available at stable prices deserve serious consideration, although students of Indian agriculture might prefer alternative policies. Nevertheless one must be wary of sweeping proposals for change, if only because they obscure alternative directions in which public policy may need to move with greater effectiveness. If I dissent from Palekar's conclusions, li is with a feeling of appreciation, for a prodigious scholar who has, by his endeavours, opened up a major area of economic policies for critical scrutiny.

Notes

The models underlying Indian development planning have been discussed in detail by Wilfred Malenbaum, "Prospects for Indian Development", Free Press of Glencoe, 1962, Chapters 1, 111, and IV. The theoretical contribution of Charles Bettelheim, "Some Basic Planning Problems", New York: Asia Publishing House (for the Indian Statistical Institute), 1961, should also be mentioned. There has been no detailed effort, however, to specify concrete targets for each of the principal industries.

An excellent survey of the earlier phases of policy is in Philip Kotter, "Problems of Industrial Wage Policy in India". Ph.D. Thesis, M.I.T., 1956, Chapter II. See also "Industrial Awards in India: An Analysis" (Delhi: Government of India), 1951 and subsequent revisions.


Palekar, ibid, p 178. See "Real Wages in India, 1939-50", Chapter VIII. This is repeated and amplified in the later book, although he notes the "considerable" gains in most industries over the 1950 real wage level (p-109).

A more detailed statement of the argument is outlined by Orlando Joseph Menezes, "Agricultural Stagnation as an Obstacle to Industrial Growth in India 1920-1950", unpublished doctoral dissertation, Princeton University, Princeton, N.J, 1958. The argument is briefly summarized by the author in the following terms: "The economic market for industrial products in the important agricultural sector remains limited. Second, with a stagnant food supply, the price of manufactures most declines relative to food prices to induce consumers to accept the increased relative supply of manufactures. Third, industrial wages are largely determined by food prices. But an expansion of industrial production is only profitable if prices of manufactures rise relative to industrial wages. Hence the conditions required to encourage increased consumption and increased production of manufactures are inconsistent." From Abstract. The arguments are developed in greater detail in chapters 3 and 5.

The importance of these objective-in contrast to the significance of more narrowly defined economic objectives have been extensively discussed in the literature. See, for example, Walter Calenson, "Labor and Economic Development", New York: John Wiley, esp pp 2-10, and Adamantios Pepelasis and others, "Economic Development", New York: Harper, 1961, pp 87.


10 Ashton, Ibid.


13 There has been some speculation that this is not entirely satisfactory due to the selective patterns of labour mobility. See P S Lokanathan, "Full Employment in a Developing Economy", The Indian Journal of Labour Economics, April 1960.

14 Government of India. National Employment Service, Directorate of Employment and Training, Delhi Administration, "Manpower Shortages in Delhi (1961)" March 1962, mimeo. The vacancies refer to vacancies outstanding as of the end of December 1960 and the vacancies notified during the year 1961. See especially p 5 and Appendix III, pp 30-31, from which the data reported above have been taken. Appendix II reports information pertaining to the issuance of non-availability certificates, and notifications where suitable applicants were not available. Due to difficulties of comparabilities, I have not used them here.


15 Lack of comparability in terms of industrial and occupational categories thus limit the value of the data available from the following sources: the Pant and Vasudevan study, the CMI series, the Indian Labour Bureau Statistics, and that of the Delhi Manpower Shortage Survey, all of which were compared in detail for this article.