APPROACH TO THE PROBLEM OF WAGES

(K.N. Subramanian)

With the permission of the Commission I propose to confine myself primarily to two parts of the questionnaire, viz., V Wages and VI Incentive Schemes and Productivity.

Questions relating to wages and productivity are some of the most important, and at the same time some of the most difficult, in the whole field of labour economics. Easy solutions are available in plenty; some that appear deceptively simple, such as, for instance, that wages should keep pace with productivity, raise more problems than they attempt to solve. These questions, therefore, require the most careful consideration - not in isolation as an academic exercise but in the context of the economic and social world in which we live and want to live. These are not questions that can be answered by a mere "yes" or "no" - the type of answers sometimes expected of an unwary witness under cross-examination in court. They require elucidation and amplification in the light of the objectives we have in view. The answers nevertheless can be understood only against the background of the witness's basic convictions and approach to the problem. Hence this note.

I The need for rapid economic growth.

My first proposition in considering a proper approach to the problem of wages is that we have no alternative to a firm policy of rapid and certain economic growth. We grow or fade. We cannot even think of the luxury of an alternative if we do not wish our present economic position to deteriorate any further. Thanks to the giant strides taken by international research in medicine and public health, our death rate fell from 27 to 18 per 1000 in the decade 1951-61 while our birth rate, defying all efforts at restriction and control, remained steady at 40 per 1000. The result was that by 1961 the annual compound rate of population growth exceeded 2 per cent. The draft of the Fourth Five Year Plan prepared in 1966 says that the population growth currently is 2.5 per cent a year. In 1961 our population was 439 million, but it has already reached 510 million this year. Our expectation of life at birth, which was 41 years in the decade ending 1961, can easily move up much higher and it is only to be expected that with it the population growth, unless there be a spectacular fall in the birth rate of which no signs are as yet visible, might climb to newer heights in the years to come.

Eugene Staley, of the Stanford Research Institute, speaking of the problem of economic growth versus population growth in Latin America says:

"This means population growth of 2.3 per cent annually, which, cumulating like compound interest, gives 30 per cent

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more people in ten ~~years. In Latin~~ America as a whole the output of goods and services has to grow 30 per cent a decade merely not to lose ground in the sense that really matters for economic well-being, namely output per person. As the Red Queen said in Alice Through the Looking Glass, 'Now here you see it takes all the running you can do to keep in the same place. If you want to get somewhere else, you must run at least twice as fast as that.' "

The I.L.O. has stated in its publication entitled 'Problems of Wage Policy in Asian Countries' (page 30) that according to a recent study "a 1 per cent per annum increase of national income seems to be associated with somewhere between 3 per cent and 5 per cent net annual capital formation" and that "as population in Asian countries is increasing by 1.5 per cent or more per annum, the same study concluded that an annual net capital formation of 15 per cent or more of national income will be necessary if the average standard of living is to increase by 1.5 to 2 per cent per annum." The I.L.O. study goes on to say that "if the resources needed for the increased rate of capital formation are transferred from resources previously employed, then at the initial stage current consumption would be reduced by about 11 per cent." It would then take a number of years before consumption was restored to its former level and only after the lapse of these years would consumption per head begin to exceed its former level and continue its upward trend at 2 per cent per annum.

Let us see how, compared to the I.L.O. standard, we have fared all these years.

In the ten years, 1951-61, of the first two plans, the national income, at constant prices, rose by 44 per cent, that is, at an annual rate of 3.7 per cent. The per capita income, in view of the population growth, rose by 19 per cent over the ten years or at an average of 1.7 per cent per annum.

(Incidentally one must raise a strong voice of protest against the inconsistency of official statistics. The Report of the Committee on Distribution of Income (page 60) gives the increase in national income and in per capita income over the ten-year period as 44.1 per cent and 18.7 per cent. The Third Five Year Plan (page 35) gives the same figures as 42 and 16. The official Pocket Book of Economic Information 1966 (page 198) gives these figures as 42.6 and 17.5. Is that all the accuracy that official statistics aims at?)

After allowing for government consumption and domestic savings the per capita increase in private consumption was 1.2 per cent per year. Since per capita consumption is taken to be a convenient overall measure of the level of living, we have the percentage of 1.2 to compare with the standard of 1.5 to 2 per cent indicated in the I.L.O. study mentioned above. During this ten year period, domestic savings rose from 5.6 per cent of national income in 1950-51 to 8.2 per cent in 1960-61. The total

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net investment including foreign aid amounted to 5.6 per cent of the national income in 1950-51 and 11 per cent in 1960-61. These figures were far below the level of 15 per cent mentioned by the I.L.O. for a 1.5 to 2 per cent increase in the standard of living. This increase, as we have seen, was only 1.2 per cent.

If we consider the Third Plan period, the results are even less flattering. The total increase in the national income was 12.7 per cent in the five years or at the compounded rate much less than 2.5 per cent per year. As the population growth was of the same order, there was not even marginal increase in the per capita income. The official Pocket Book of Economic Information, 1966 records the increase in real per capita income during the Third Plan as 'nil'. At the end of the Third Plan domestic savings and net investment were expected to reach 11.5 and 14 per cent of the national income. The exact figures reached are not readily available.

The Committee on Distribution of Income and Levels of Living came to the conclusion that while the required data was not available "for drawing valid conclusions concerning the changes in income distribution which might have taken place over the two plan periods", there was evidence "that the growth in incomes of the mining and the factory workers has kept ahead of the rate of growth in average income per employed person." Agricultural labourers had not shared in the increase of incomes (page 22).

While the first two plans made some modest advance in the general standard of living, the third one barely maintained the <u>status quo ante</u> - an example of "all the running you can do to keep in the same place." We need not here go into the question whether better results could not have been achieved with wiser and more efficient allocation and utilisation of the funds made available for development. But what is immediately relevant is that inclusive of the massive foreign aid received the total net investment has probably not yet touched the 15 per cent limit indicated by the I.L.O. and that domestic savings were no more than 11 per cent in the last year of the Third Plan.

The Managing Director of the United Nations Special Fund, Paul G. Hoffman, in a speech to the New York State Bankers' Association in 1960, put the problem of the growth of the under-developed countries as follows:-

> "Estimated income per person in the 100 (under-developed) countries and territories associated with the United Nations averaged approximately $ 90 in the year 1950. It probably reached slightly over $100 per person in 1959. National income grew at the rate of 3 per cent a year, but because there were two hundred million more mouths to feed in these countries in 1959 than there were in 1950, the net increase in income per person was only about 1 per cent, that is, about 1 dollar a year. Over this same decade, income per person in the Netherlands increased by more than $ 300, in the United Kingdom, Western Germany and Switzerland by more than $400, and in the United States and Canada by more than $500.

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But clearly in both relative and absolute terms, the rate of increase in the poorer countries was too slow- dangerously too slow."

Who benefits most from a rising national income and conversely loses most from a stagnant or even deteriorating national income? The working classes, of course. Though statistics of the wage share in the national income in India have not been properly developed, the percentage share of wages in the value added by manufacture in Indian manufactures has been worked out in a table at page 132 of 'Industrial Labour in India' (Asia Publishing House). This percentage no doubt fluctuates within certain limits from year to year but is in the region of 60. Western economists have commented on the remarkable stability of the total wage share in the national income in their countries. The range usually mentioned is 60-65 per cent. Says one economist, Prof. Bach: "The first lesson that these figures teach is obvious. In bad times almost everybody is poor; in good times almost everybody's income goes up. The second striking fact is that the share of the total that goes to employees as wages and salaries is generally stable. This share generally hovers in the 60-65 per cent range.--- This stability in the labour share through the big union changes of the past decades and through war and peace has fascinated and puzzled many observers." If wage share constitutes so large a proportion of the national income, labour obviously stands to gain or lose by a favourable or adverse fluctuation in the size of the national income both by a change in the volume of employment and by a change in the level of the real earnings.

It is clear, therefore, that unless the tempo of development is not only maintained but increased to substantially higher levels, we must necessarily slide steadily into even graver perils than we are now in. This is no exaggerated account of what might well be in store for us. True, we suffered from deteriorating economic conditions during the British days, but our difficulties have increased since independence. The summary of the draft outline of the Fourth Five Year Plan says that "before the adoption of planning, the Indian economy had been growing at the rate of barely one per cent per year" and poses the question "where does the economy stand today"? Judging by the performance of the Third Plan, one must truthfully say "more or less at the same spot", for a less than 2.5 per cent annual growth in the national income during a period of a 2,5 per cent growth in population is hardly different from a growth of "barely one per cent per year" during an era of a one per cent or less of growth of population. The population figures of the decades since 1911 given at page 15 of Economic Information will bear this out.

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So we must conclude that planned economic development is no luxury or mere fad of well-meaning intellectuals but a sheer necessity, from which there is no escape, if the rising flood of population is not to drown even the meagre standards of living achieved so far.

II The need for savings

If rapid development of the national economy is an imperative necessity of our present predicament, what is it that we need most for the purpose? The only possible answer is a progressively increasing rate of investment.

In the preface to my recent book, 'Labour-Management Relations in India', I have written as follows:

> "History tells us that the high level of saving and investment needed for rapid development cannot, despite generous foreign assistance, be achieved except at the expense of current consumption and hence through substantial suffering and sacrifice. This lesson of history seems to have eluded us altogether, for how else are we to explain the sorry spectacle of group after group of the population-workers, technicians, engineers, doctors, teachers, scientists, government employees, industrialists and many others-clamouring for more wages, more remuneration, more dividends, more facilities, and more incentives and enforcing their demands, often through violent destruction of public property and paralysation of public activity?"

The relevance of that observation to a proper consideration of the wage policy is so compelling that we must pause to take stock of its full implications.

The following quotation from the I.L.O. publication entitled 'Problems of Wage Policy in Asian Countries' will be of special interest to those who are dreaming of development without tears:

> "In the light of historical experience it appears that in some at least of the countries that are now highly industrialised the process of rapid capital formation was for a long time accompanied by low levels of mass consumption. In England in the early years of the Industrial Revolution the level of real wages and mass consumption remained low and there was an almost total absence of social services and social legislation. Though statistics are lacking, the income distribution is believed to have been highly unequal. Industrialisation gave birth to numerous private fortunes, which supplied the necessary savings for productive investment. Another case is that of Soviet Russia during the period of the First Five Year Plan. The rapid capital formation achieved in Soviet Russia during that period was made possible chiefly by direct limitation of output of consumption goods through state planning. The resources thus released were directed into public investment. A third example is Japan. As in England, during its early stage of industrialisation, the level of real wages in Japan remained low and income distribution was highly unequal. -- A close and careful study of the experience of these and other economically advanced countries should be of assistance in forming a clear conception of the problem which confronts the Asian countries today."

Let us look into these details a little more closely.

The poor wages, the long hours of toil, and the frightening conditions of work that obtained in England from the middle of the 18th century almost up to the end of the 19th century need little elaboration to those who have read some of Dickens's novels or have glanced through the first volume of Karl Marx's Capital. I have given a fleeting glimpse of these at pages 26 to 29 of my book. Historian Trevelyan says in his History of England that "the condition of the new industrial proletariat was very miserable and was made more miserable by the vagaries of prices, wages and employment due to the violent fluctuations caused by the Napoleonic war." Some idea of the private fortunes and of the unequal distribution referred to in the I.L.O. study can be gathered from the same book:

> "Wealth was increasing so fast in town and country that the contrasts between the life of the rich and the life of the poor were more dramatic and more widely observable than of old. In the industrial world members of the new middle class ceased to live over the workshop and built themselves separate villas and mansions in imitation of the life of the gentry. --- The landed gentry, for their part, were enlarging the manor house for the heir and the parsonage for the younger son, and too often replacing a tumble of gabled roofs that had grown up piecemeal in the last three hundred years, by a gorgeous 'gentleman's seat' in the neo-Palladian style. Game preserving in the midst of a hungry population, with mantraps and spring guns lurking in the brambles to guard the pheasant at the expense of man's life or limb, led to a poaching war with armed skirmishes, and several thousand convictions a year."

Karl Marx's theory of surplus value as the source of the growing accumulation of capital and of the maintenance of the non-working members of society is well known.

Barring minor differences in the manner of presentation, both the sedate historian and the prophet of increasing gloom and misery are agreed on the central theme, namely, that in England workers were kept on low real wages while capitalists made large private fortunes which subsequently formed the basis of the capital required for industrialisation on a large scale.

How has modern Soviet Russia whose leaders, the practical exponents of Marxism, have been loud in their denunciations of the exploitation of the proletariat in capitalist countries, solved the problem of capital formation? In precisely the same way as the capitalist countries with only one difference, namely, that instead of inflicting hardship on only the poor and letting off the rich comparatively unscathed, Russia has subjected all - the poor and the old rich now made poor -to the same rigours of austerity and abnegation. While the distribution of poverty has, on the whole, been impartial, that has made little difference to the extent of suffering of the common man.

A glance at the state of real earnings of the Soviet worker ever since the First Five Year Plan was launched is enough to show that consumption was severely curtailed for many years in the interests of capital formation. An elaborate study of real earnings during the period 1928-52 was published in the May 1954 issue of the Review of Economics and Statistics.

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Calculations were made according to the weights observed at two family budget enquiries held in 1928 and in 1937. The indices of real earnings, after making allowances for taxes and compulsory purchases of government bonds, were worked out as follows:

Year	1928 weights	1937 weights
1928	100	100
1937	57	81
1948	40	56
1952	63	90

(Source: Harry Schwartz, Russia's Soviet Economy,page 541)

The conclusions drawn by the author mentioned above are:

1) After 1928 the level of real earnings in the Soviet Union plunged far downward, and not until a quarter of a century later - 1952 or 1953- did real earnings come even moderately close to or at most equal to the 1928 level.

2) In the worst periods - the early 1930's and the years during and immediately after World War II - real earnings were probably half or even less than half the 1928 levels.

3) From 1948 to 1953 real earnings rose consistently and sharply, the rise probably exceeding 50 per cent ofthe 1948 level. In part this resulted from increased production of food and consumer goods; in part too, however, this rise was made possible by the confiscatory wiping out of much of the population's savings by the Monetary Reform of 1947."

A more direct account of the financing of the Soviet Five Year Plans is contained in the following extracts from the same book:

"The volume and tempo of the capital investment programme desired by the first five year plan and its successors were so great that they more than took up the slack in the economy provided by available unemployed resources. They required in addition significant diversion of employed resources from production of consumer goods and services, with consequent sacrifices imposed upon the population. Large quantities of grain were exported abroad to pay for new machinery and technical aid, though food was rationed in the cities and famine stalked the Ukraine, and adjoining areas. The fact that there were great losses of agricultural capital, particularly livestock, during this period as the result of the struggle over collectivization added to the deprivations suffered.

Almost all the capital expended for Soviet economic development has been obtained internally, that is, by restricting the consumption of the Soviet people below what it might have been and devoting an extraordinarily large percentage of their national income for investment purposes.

The government was able each year to get a large fraction of the agricultural produce, particularly grain, at very low prices. This was then resold at much higher prices. The Soviet Government, during most of its existence, has imposed very high rates of taxation on foods and consumer goods, thus obtaining a large amount of income that it could and did convert into investment funds for use throughout the economy. This so-called turn-over tax also cut down the consumption of the urban population by forcing its

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members to pay the relatively high prices that resulted from the inclusion of the tax in the prices of the goods they bought.

By about 1930 the Soviet Government had decided to accept the hardships of financing its capital expansion from domestic sources, except to the extent it could get credits abroad for the purchases of various products it required.

In 1931 it owed about $ 1400 million to foreign governments and exporters for goods bought, but by April 1938 these debts had been wiped out."

How could such large debts be repaid so soon? In the only way possible, namely, by imposing increasingly harsher burdens on the population and investing the savings so extracted.

The result was that the national income of Soviet Russia, at constant prices, rose from 28.9 billion rubles in 1929 to 281.4 billion rubles in 1953 and to a target of 337.8 billion rubles in 1955. This is approximately a ten-fold increase by 1953 and a twelve -fold increase by 1955.

Witness our own performance! The national income at 1948-49 prices was 88.5 billion rupees in 1950-51 and 139.7 billion rupees in 1963-64, with a provisional 150.5 billion rupees in 1964-65. We had not yet doubled our income in 14 years when the Soviets had made their income ten-fold.

In considering this comparison we must also bear in mind the fact that Soviet Russia got insignificant assistance from the developed foreign countries, while in India foreign loans and aid formed roughly one-sixth of the total funds used for investments during the period of the first two plans.

We seem to have got into the habit of expecting, and assuming, large sums of foreign aid for every plan. The draft of the Fourth Plan dramatically poses the question: "How are we to raise Rs. 16000 crore to finance the Fourth Plan in the public sector?" and proceeds to include in the answer external credits to the extent of Rs. 4700 crore - a size of foreign aid that can only be described as optimistic.

Dr. Eugene Staley in his 'The Future of Under-developed Countries' cautions expectant nations as follows:

> "Capital formation, on the other hand, is a social process. It must take place internally in much larger volume than before if a static, underdeveloped economy is to change into a progressive, developing economy. Capital from abroad can, in the right circumstances, be a powerful catalytic agent to stimulate the processes of domestic capital formation. Unless it does so, the foreign capital will be largely wasted from the developmental point of view.
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> It would probably be true to say that in every major case of really substantial, continuous development the great bulk of the capital has been supplied internally by the domestic processes of capital formation."

It is difficult to secure even approximately reliable figures as far as Chinese development is concerned, but the following extracts from an article in World Politics, April 1960, by two

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experts, Malenbaum and Stolper, will be found interesting:

> "In 1950 both India and China had per capita incomes of about $ 50. The two countries initiated their development operations at about the same time and from the same type of economic structure. In both, at least 80% of the working force was in agriculture and small-scale enterprise. Yet by 1959 per capita gross national product in India was only some 12-15 per cent above its 1950 level, while in China it had expanded to about double the earlier figure.
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> With an initial gross investment ratio just below 10 per cent, absolute real investment in China had increased by 1958 to five times the 1950 level; in India it about doubled. Foreign aid did not explain this difference: indeed, China's investment was more nearly financed from its current output than was India's."

My object in dwelling at some length on the recent experiences of Russia and of China is not to extol their planning or administration or correspondingly to decry ours. An assessment of this nature, one could safely leave to others. But the object certainly is to highlight an incontrovertible conclusion, namely, that if an under-developed country is intent on rapid development, <u>the only way of achieving the goal</u> is for it to impose upon its citizens the large-scale privations and suffering that is inevitable for gathering the savings and investment required and that even a full-fledged socialist government run by and for the proletariat cannot escape the onerous duty of tightly squeezing the poor man. To the extent this duty is shirked, economic development must inevitably suffer.

When the poor are squeezed so hard, it goes without saying that in a private enterprise economy such as ours with its many rich men garnering profits, the rich too must be made to share in the general hardship in a convincing and demonstrable way. What form this should take would be beyond the scope of this brief note. Take, for instance, an industrial establishment. When workers have been paid fair wages, shareholders fair dividends, and Government its taxes, the residue which will still be substantial in many cases now becomes the bone of contention between labour and management. The one claims bonus and the other incentive. Why a large portion of this surplus cannot statutorily be earmarked for expansion and modernization of industry is one that passes one's comprehension. Had Government done any such thing in the past, the Commerce Minister would not have had to complain, as he did the other day, that many of the mill magnates had skimmed off the best of the cream all these years and left their units in a dilapidated condition. If workers are going to be subjected to privations - and they have to be if development is to proceed - the bogey of incentive cannot become the lever by which the rich could grow richer. Profits will have to be treated as a trust to be amply used for the growth of the economy.

The approach to our five year plans suffers from its failure to prepare the public to face the inevitability of sacrifice.It pays only lip service to the difficulties and paints a rather rosy picture of the immediate possibilities. The Second Five Year Plan says, for instance, that "The accent of the socialist pattern is on the attainment of positive goals; the raising of living standards, the enlargement of opportunities for all, the promotion of enterprise among the disadvantaged classes and the creation of a sense of partnership among all sections of the community." Later on as specific objectives of the Second Plan, that is, as objectives to be attained during the five years of the Second Plan - or so it would seem to the ordinary reader - the Plan document refers to:

a) a sizeable increase in national income so as to raise the level of living in the country;

b) a large expansion of employment opportunities;

c) reduction in inequalities in income and wealth.

No wonder the ordinary man, at the end of the five years, asks: "Where are these?"

The central fact that emerges from all this is that a large measure of internal saving is necessary for a perceptible rate of growth of the economy and that this will entail substantial hardship on the population including the entire labour force. Whether all members of the public will be subjected to an equal degree of hardship or whether the richer classes will be permitted to escape the extreme severities of the physical hardship involved is a choice before the politician and not the economist.

But regardless of methods, the conclusion must necessarily be: no saving, no development.

III. The need for productivity.

The imperatives of development - the need for large-scale internal savings in particular - impel us to see how they can be achieved. The one weapon, above all, with which to fight poverty is productivity.

There are two aspects of the productivity problem. The first is the comparatively non-controversial one, namely, that without increasing productivity there can be no steady progress in real wages and in the standard of living of workers. The second, the more controversial one, is as to who or what is responsible for the higher productivity and how the gains of productivity are to be shared. The second aspect will be held over for oral evidence, not because it is less important than the first but because it cannot be discussed adequately in an introductory note. Nevertheless one or two pivotal points of that aspect must be mentioned as they are too important to be ignored even in an overall survey. For an undeveloped country

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trying to build up rapidly in the midst of rising inflation, no policy can be more conductive to real development than one of relying heavily on a system of payment by results. There are numerous systems of payment relating individual or group performance to appropriate incentive returns. They have the double merit of increasing the earnings of labour without raising unit costs or adding to inflation. This should be the primary, though not the sole, means of securing ~~the~~ to labour its share of the gains of producvity. By 1949 the Soviet Government had succeeded in extending incentive systems of payment to 71 per cent of workers making machine tools, 83 per cent of those making cotton textiles, 84 per cent of those in the woollen goods industry and 92 per cent of those in lumber milling. Alas our tribunals and wage boards dealing with wages treat the need to evolve incentive systems as a polite academic fiction. The only other non-inflationary means of securing to labour a share in the gains of productivity is to ensure that the real wages of labour do not outrun the overall gains in productivity of the economy as a whole calculated over a sufficiently long period.

I have dealt with different aspects of productivity in the following sections of my book on Labour- Management Relations:

Wages in Relation to Productivity	Pages 404 - 409
Rationalisation	449 - 456
Rationalisation and Productivity	577 - 580
Tribunal of Rationalisation and Productivity	580 - 583
Rationalisation and Automation	609 - 613

What I am concerned with in this background note is not so much the details and merits of the relationship between productivity and wages as the central fact that "productivity will be the password for prosperity" as mentioned by me in the preface to the book.

The need for increasing productivity is the one subject on which capitalists and communists are in wholehearted agreement. The American Federation of Labour summed up its views on the subject in a statement issued in 1946: "Living standards do not rise by any magic formula. They can rise only when workers produce more per hour and per year of work." The A.F.L.'s emphasis, it may be specially noted, was not so much on productivity brought about by mechanisation, modernisation, automation, etc., but on the role of labour in increasing productivity. That this statement was made by the President of the American Federation of Labour is a tribute to his far-sightedness and his desire to emphasise that in the heat of labour's struggles with management labour does not forget its own responsibility.

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The I.L.O. has consistently advocated the view that increasing productivity is a pre-requisite to an improving standard of living. The I.L.O. publication 'Payment by Results' says that "it is now generally recognised that a steady increase in the productivity of labour is an essential condition for assuring a higher standard of living to all classes of the population and notably to wage earners." Similarly the publication 'Higher Productivity in Manufacturing Industries' says that "Higher productivity provides opportunities for raising the general standard of living, including opportunities for --- higher real earnings, improvements in working and living conditions, and in general, a strengthening of the economic foundations of human well-being."

Every writer on labour economics recognises that "real improvements in the level of living of workers and other groups in the economy depend on rises in the productivity of our economy" (Jules Backman : Wage Determination, page 174). Another writer, Nelson Peach, says: "Throughout the world higher productivity is the major source of the increment in real income."

The collective agreements entered into by the General Motors Corporation and the Ford Company with their unions (and the agreements of many other companies) contain an identical clause which reads as follows;

"The annual improvement factor provided herein recognizes that a continuing improvement in the standard of living of employees depends upon technological progress, better tools, methods, processes and equipment, and a cooperative attitude on the part of all parties in such progress."

Turning now to communist countries, steadily rising productivity is the foundation, almost the breath of life, of the communist state. This is understandable because with a civil war following upon a world war, a hostile world all around, and an internal economy shattered by years of violent confusion and change, Soviet Russia had to fight for her existence with the only weapon available, namely, rising productivity. This has since become part of her economic Bible. Article 12 of the Soviet Constitution reads : " Work in the U.S.S.R. is a duty and a matter of honour for every able-bodied citizen in accordance with the principle 'He who does not work, neither shall he eat'".

Every responsible official and every trade union leader is required to encourage, enthuse, and even goad the worker on to higher, and still higher, levels of productivity and to keep records of the success from time to time. The function of trade unions was in some doubt in the early stages, namely, whether it was to defend workers against the government

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administrators or to become the instruments of the state emphasising maximum worker productivity, Trotsky was for the creation of an "atmosphere of productivity" and for the abandonment of the capitalist notion of "trade unionism". Lenin was somewhat uncertain, arguing both points of view at different times. But with the arrival of Stalin in the seat of power and the launching of the First Five Year Plan in 1928 the doubt was resolved. Mikhail Tomsky, who was in favour of the view that trade unions should defend workers against government administrators was denounced and overthrown. The official condemnation of Tomsky said that "Instead of mobilising all the forces of the working class for the development of an increased tempo in socialist construction, for the fulfilment of the Five Year Plan, the old leadership of the trade unions gave precedence to the 'defensive work' of the trade unions as against the problems of their participation in socialist construction."

The 16th Congress of the Communist Party held in 1930 set down the new conception of trade union functions and objectives as follows:

"Under the leadership of the party, the trade unions have now removed their bankrupt leaders and have begun a determined fight against the elements of 'trade unionism' and opportunism in the trade union movement. Today the basic factor in energising and improving the entire work of the trade unions must be <u>socialist competition</u> and its offspring, <u>the shock brigades</u>. --- The problem of the trade unions is the organisation of the socialist competition and the shock brigades."

The 1949 statutes and bylaws of the Soviet trade unions set down 9 categories of functions, of which the first two are:

i) Organise socialist competition of workers and employees for fulfilling and over-fulfilling state plans, increasing the productivity of labour, improving the quality and lowering the cost of production.

ii) Participate in planning and regulating wages of workers and employees, in devising a system of wages guided by the socialist principle of pay according to the amount and quality of labour; strive to introduce new progressive output norms; keep track of the correct calculation of labour and the application of piece work and progressive bonus pay for labour.

The first emphasises the trade union's responsibility for increasing the productivity of labour and the second its responsibility for evolving incentive schemes of payment conducive to higher productivity.

Socialist competition takes many forms - competition between factory and factory in the same industry and competition between different industries. Substantial monetary rewards, decorations and honours such as the Order of Lenin or the Order of the Red Banner are given to encourage fruitful competition. The Stakhanovite movement was born out of this philosophy. The Soviet Government cited the Stakhanovite's production as examples of what could be attained if workers tried harder and

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improved the organisation of their daily routines. Work norms for all workers were raised several times in the late 1930's, the increases being justified in part on the basis of the much higher output achieved by Stakhanovites. In the post-war period more emphasis has been put upon creating Stakhanovite work teams, but rewards to the large number of individual Stakhanovites remain high. Enterprise directors are constantly urged to base production quotas for all workers upon the average of the best workers, rather than upon the simple average performance of all workers, good and bad.

Maurice Hindus, a British expert on Soviet Russia, in his 'Mother Russia', describes Stakhanovism and the shock brigades in the following terms:

> "Stakhanovism, which in essence is rationalisation of labour, is one of the means fostered to promote increase in production. The Stakhanovite is lauded, rewarded, set up as an exemplary citizen and worker whom others must never cease to stimulate. Shock brigadiering is another speed-up method. The shock brigadier is a pace-setter and receives his reward in glory, in privileges and in income.
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> By far the most widespread and most zealously espoused scheme of speed-up is known as 'socialist competition.' Factory challenges factory for increase in output, farm challenges farm, steel worker challenges miner, miner challenges sniper in the army - not a production unit in the country, whether large or small, involving twenty-five thousand or only ten workers, but has literally been seething with socialist competition, especially since the war. Slogans, diagrams, teamwork, oratory, financial reward, all are the weapons or stimulants in this nation-wide race for increased production."

These heroic efforts of the Soviets at increasing productivity are in sharp contrast with the pitiful expostulation enshrined in our Third Five Year Plan:

> "The term (rationalisation) has often been wrongly associated with increase in workloads and added strain on workers in order to swell the volume of private gains. Large gains in productivity and an appreciable reduction in unit costs can be secured in many cases without causing any detriment to the health of the workers and without incurring any large outlays."

This is a direct, even if unintended, attempt to prevent the worker from contributing his utmost to the nation's production.

As a result the Soviet Government was able to announce that between 1928 and 1940 the productivity per worker in industry had increased by more than 3.5 times and that, notwithstanding the inevitable fall in productivity during and immediately after the war, the productivity per worker had by the early 1950's become 5 times as great as in 1928.

The capitalist swears by productivity even when he cannot get it. The communist will readily accept its extreme importance even if he is tempted to give a reply such as the one Maurice Hindus got when he put the question to a foreman, "Don't workers protest ?":

> "Why should they? It is for their own good and for the

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good of the nation. Nobody derives any personal profit from it. They earn more money for themselves, and if the factory shows larger profits, these are used by the government as capital investment for new factories, as a source of national defence, and as a means of lifting the material and cultural standard of living of the community, which, in the last analysis, means the worker and his family. Why should any of our people object to our labour policy, when it is all not for the enrichment of an owner or an invester but for their own advancement. If they protest, there is something wrong with them."

IV. The need for discipline

Without labour discipline, there can be no rise in productivity; there can be no increased savings; and there will be no development.

In a private enterprise system strikes as such cannot be banned, but this potent weapon should be used only sparingly and responsibly. It may have to be used when, despite every possible restraint and offer of compromise and conciliation, appeal to reason and justice has failed to elicit adequate response. Strikes so called may not harm the economy; it may even be the means of bringing about greater responsibility and circumspection on the part of those otherwise inclined to ride roughshod over the weaker partner.

But the epidemic of violence, strikes, bandhs, and gheraos that we have witnessed during the last two years cannot, by any stretch of imagination, contribute to the welfare of the nation or to the cause of the workers themselves.

Labour indiscipline has had its day in other countries too, though its occurrence in support of problems that are essentially political is certainly characteristic of our special situation. Moreover indiscipline disappeared in other countries as responsible collective bargaining developed.

In recent times indiscipline took many forms in Russia, especially with the launching of the First Five Year Plan in 1928 and the wiping off of all unemployment. Labour turnover and absenteeism became menacing problems because of the ease with which workers could secure alternative jobs. Even in 1935, hirings were 91.6 per cent of the labour force and separations 86.1 per cent. Many punitive measures were imposed to combat the evil. An enterprise manager guilty of luring workers from other enterprises was liable to prosecution. Workers who evaded transfer to work ordered by the government or who changed jobs frequently were denied the right to be referred to industrial jobs for six months. Engineers and technicians moving from job to job were deprived of salary increases. A decree of November 15, 1932 laid down that workers absent for one day without an acceptable excuse be fired and deprived of housing. Dismissal also meant loss of ration cards. "Comradely Production Courts" were set up in 1931 and thereafter in different

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enterprises and institutions to try workers violating labour discipline or carelessly handling property. These courts could fine errant employees, suggest their dismissal to management, or propose their expulsion from their union for a fixed period.

A decree adopted on December 20, 1938 required that all workers employed by the state or cooperative enterprise have labour books giving their employment history, reasons for shifting from one enterprise to another, and any praise or honours won by them. This, a sort of internal passport, was intended to reduce labour turnover.

According to a decree of December 28, 1938 workers late in reporting to work, leaving early for lunch, returning late from lunch, leaving their job early, or loafing on the job were to be punished by reprimand or transfer to a lower job for up to three months. Three such violations in a month or four in two months were to be considered to be absenteeism and therefore ground for automatic dismissal.

During World War II all these penalties were tightened up, but instead of dismissal for absenteeism the offending worker was put to compulsory work in the same enterprise for up to six months with a reduction of 25 per cent in his wages. Also those employed directly or indirectly in war industry were to be considered mobilized for the duration of the war and any unauthorised departure from the job was to be treated as desertion to be tried by court martial and punished by imprisonment for 5 to 8 years.

Maurice Hindus, speaking of conditions prior to the outbreak of World War II between Russia and Germany, says:

> "Let it be noted that in the early years of Sovietism the Russian proletariat had not sloughed off the unwillingness to do more than was required or could be forced out of them by pre-revolutionary employers. They talked during their working hours not only about their jobs but about their homes, their families, their girls, the cinemas they had seen or wanted to see. They spent much time smoking cigarettes. They had enough ways and excuses to shirk immediate tasks."

The conditions in present -day India in many places are not wholly different from these. Page 547 of my book may please be seen where I have quoted the view of Professor Myers of Massachusetts as follows:

> "The visitor to Indian factories, particularly in the cotton textile and jute industries, is struck by the amount of loitering which he sees in the millyards. Workers have apparently left their machines, frequently without permission, to go outdoors for a smoke, to chat or just to sit. Attempts to discipline them are either resisted by the workers with the help of union representatives or are ineffective.---- Indian labour is no longer cheap. Indiscipline, poor performance, inadequate managerial policies and legal requirements which limit managerial flexibility in utilising labour make labour costs higher than hourly or monthly wage comparisons with other countries would indicate."

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Maurice Hindus proceeds:

"Simulteneously with this tumultous propaganda there began a no less tumultous campaign of practical measures to whip out of the worker all the output that he was capable of yielding. It was well enough to think of socialism as a paradise and of capitalism as a hell. But unless labour was made todo its utmost in production, there could be only stagnation and weakness, futility and collapse.

The Plans struck hard and violently at laxity and indifference to labour discipline. Grumbling and protests were disregarded.

A worker, whether in shop or office, has to be in his place ready for the day's job the minute the shift begins. If he is ten minutes late through a cause which is within human control, he receives an individual and a public warning the first time. The Superintendent, the foreman, or the Director, or all of them, say some unpleasant words to him. They also post a bulletin in all shops naming him and informing all workers of his derelection. If he is late a third time in one month, he faces trial in a people's court.

A worker has no right to leave his place of employment without special permission. This is rarely granted by the factory management."

Russian development, solid and spectacular in the extreme, has been built on the triple foundations of substantial savings, of sustained productivity, and of strict labour discipline. That these latter have paid off magnificently has never been in doubt; Russia's emergence from World War II as one of the two acknowledged leaders of the world is enough testimony to the wisdom and foresight of her leaders who have had the courage to enforce necessary, if frightening, privations and restrictions on a large population for a long time.

V. The need for better labour-management relations.

A high degree of labour discipline, an increasing tempo of productivity, and high rates of savings imposing limitations on wage increases and current consumption, which are so necessary for rapid economic development in a country like India, cannot be achieved unless there is an adequate measure of responsive cooperation between labour, management, and government. If the triangle of good relations is broken at any point, the cause of development must necessarily suffer. Unfortunately the state of labour - management relations obtaining in India today is far from being ideal for rapid economic development. We suffer from all the defects pointed out by Maurice Hindus as being characteristic of the Russian proletariat in the early days of sovietism; we have in addition the unenviable complication of having a trade union movement tied to the apron strings of politics. Large groups of workers, especially in strategic urban areas, are in the throes of political upheavals from time to time; and the outsider leaders continually stoke the fires of discontent should industrial peace threaten to settle down for any length of time. Unless the trade union movement sincerely gets down to its legitimate

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tasks of safeguarding the economic interests of its members, none of the pre-requisites to rapid economic development stands any chance of being attained in the ample measure necessary for the purpose.

The general conclusion

If I have discussed Russian experience at some length, that is due to the fact that we have no other example of a country, of comparable size and with comparable conditions and problems, which has developed itself rapidly through centralized planning.

We cannot ignore the imperatives of rapid economic development that recent Russian history teaches us, namely, a measure of savings that must severely hurt us for a long time to come, a tempo of productivity that will give us little leisure to reminate over our difficulties, and a standard of discipline which will leave us little elbow room for indulging in the luxury of indolence and a devil-may-care approach to the problems of national development. If our employers and labour always look upon each other with suspicion and hostility, with the fire and fear of a class war, with a resignation to the inevitability of constant tension and chaos in their mutual relationship, there can, of course, be no hope for production in our present democratic set-up.

The five needs mentioned above constitute the economic imperatives of our present situation, which, on any reckoning, cannot but be deemed extremely unsatisfactory and disquieting. I am well aware that what Russia was able to achieve in relation to these needs, we, situated as we are with a different form of Government, cannot hope to reach. The cold dictates of economics will need many a mutilation before they can be made to do duty in the environment of the many opposing pressures that constitute democracy. What compromises will become expedient and inevitable must, in the final analysis, necessarily be left to those in charge of our political destiny. But of one thing we may rest assured, regardless of the ideology of the government that rules over us, namely, that in the measure in which we run away from the economic imperatives of our situation, the mirage of economic development will vanish before our very eyes to the dismay and distress of every one of us including the working classes themselves.

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