



# **ALL INDIA BANK EMPLOYEES' ASSOCIATION**

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**CIRCULAR NO. 28/229/2020/67**

**10-9-2020**

**TO ALL OUR UNIONS & MEMBERS:**

Dear Comrades,

## **Unilateral move of the Central Government to change the Consumer Price Index Series**

**All our unions and members will appreciate that unabated and ever increasing price rise is a cruel joke on the workers and with every dose of price rise, the real wages of the workers get eroded.**

**That is why Dearness Allowance or Dearness Pay is an important component of the wages of the workers as it provides some compensation whenever prices go up.**

**That is why trade unions always fight for better compensation formula against price rise.**

**That is why trade unions always fight against the defective and fraudulent method of compilation of price index.**

**That is why trade unions also fight against the economic policies of the Government which are responsible for the price spiral.**

**Price rise is measured by the Government by comparing the level of prices of a Base Year as well**

taking into account the items consumed by the workers for their daily necessities of life. Hence Base Year becomes important as well as the basket of items that are included for comparing the increase in prices. On this basis, the Government announces the Price Index every month.

Various Committees have pointed out that the compilation of the Index is faulty, defective and unrealistic. But the Government – past and present – have been ignoring these facts and have persisted with their own formula which has never reflected the actual price level in the ground.

In this background, the present Government is also moving to shift the Base Year to 2016, which year all of us know was infamous for demonetisation and consequent abnormal price fluctuation. Still Government is bent on keeping 2016 as the new Base Year. Hence Central Trade Unions have taken up the issue with the Government. Their detailed letter is provided herein for the knowledge of our units and members.

With greetings,

Yours comradely,



**C.H. VENKATACHALAM  
GENERAL SECRETARY**

7<sup>th</sup> September, 2020

**The Dy. Director General,  
Labour Bureau,  
Ministry of Labour & Employment,  
Government of India, Chandigarh**

**Ref.: Your letter No. 23/15/2020-F.L.S., Dt.15.08.2020  
in respect of seeking comments on base updation of  
CPI-IW New Series**

**Sir/Madam,**

**On the above subject pertaining to the hasty move of the Govt to change the base year for computation of Consumer Price Index for Industrial Workers to 2016, it is the considered opinion of almost all the Central Trade Unions of the country and their affiliates representing overwhelming majority of country's industrial workers that the Govt must refrain from going ahead with the exercise owing to several inconsistencies and lacunas in the exercise already undertaken.**

**Some of such lacunas and inconsistencies, inter alia, are mentioned hereunder:**

- 1. Base year is now proposed to be changed to 2016. At no point of time the trade unions have been consulted. Secondly, as late as July, 2020, the website of Labour Bureau mentioned that the work was going on "2013-14" to be made the**

**changed base year. Why is 2016 being proposed instead, especially when the Labour Bureau itself had pointed out that the year 2016, because of Demonetisation shock in November, 2016, had affected the price levels of all items in the basket in the last quarter? (Minutes of the 64th meeting of TAC on SPCL, 22.10.2018). Prior consultation with trade unions had been absolutely essential, but same has been deliberately evaded.**

**2. Methodology: Prices available in the Public Distribution System for food items in the basket are considered for calculations. But the majority of the strata of Workers for whom the CPI Series is being worked out is mostly out of the actual coverage of public distribution system (PDS), wherever the same PDS is actually operational; and in fact in most of the states, PDS does not actually exist, given the most tardy, ineffective enforcement machinery prevailing in most of the states. Hence any exercise based on prices collected from public distribution system is bound to be faulty inevitably resulting in suppression or gross undervaluation of actual price movement, leading to recurring loss to the workers. Therefore prices in the open market to be collected from all over the country, from all industrial centres and locations through**

**dependable machinery enjoying the confidence of the workers should be made the basis of the entire exercise. It may be noted here in particular that even in the draft rules under Code on Wages Act, formulated by the Ministry, the market prices are being referred to for computation of minimum wages to be fixed and not PDS prices.**

**3. In this context, we like to draw your notice to the fact that, the trade union movement has been consistently raising this aspect along with other issues on every previous occasion when successive Govts changed the base year for computation of consumer price index for the industrial workers. But the opinions and concrete suggestions of the trade union movement have always been ignored.**

**The exercise of changing base year and continuing with faulty computation of consumer price indices is aimed at suppressing and grossly undervaluing the actual impact of price rise of all essential commodities in the basket in order to deprive the workers of their due dearness allowance. It is a matter of record, which may as well be cross checked, that on every occasion of change of base year of CPI, the revised consumer price index on any date/period after the revision of Base Year was always substantially lower than what it would have been if calculated on the basis of unchanged base year. This indicates that the change of base**

**year, the manner and mechanism through which it has been accomplished, has actually resulted in undervaluing the real impact of changes in prices thereby grossly curtailing/reducing the entitlement of dearness allowance of the workers. Therefore, the entire exercise and the mechanism followed need to be thoroughly restructured and reworked in the interests of making the consumer price indices a true and transparent reflection of the actual impact of changes in price level of those items in the concerned basket.**

- 4. The same inaccuracy, rather the undervaluation of the actual impact of price-movement is reflected in the proposition of linking factor, popularly known as conversion factor. Proposition of Linking Factor of 2.88 to convert numbers in 2016 series from 2001 (base year) series equivalent is a clear reflection as well as testimony of such intent of undervaluation/suppression of actual impact. On a thumb's rule assessment, without going into period-specific trends of prices in the context of overall economic situation, it must be noted that the linking factor for 1982/2001 ( gap of 19 years) was 4.63 and for 1960/1982 (gap of 22 years) was 4.93; whereas, for shifting base year from 2001 to 2016 (gap of 15 years) the linking factor has been proposed to be as low as 2.88 ; this is bound to act**

**in aggressive undervaluation / suppression of impact on changes in prices.**

**5. Moreover, the period of 15 years gap between 2001 (existing base year) and 2016 (proposed base year) is a period of continuing economic slowdown, particularly from 2008 onward. This period has got certain specific trends of price movement in the economy. While industrial commodities in general have been facing a depressed market and hence subdued price level, the essential commodities needed for human survival (of which the basket for CPI is mainly comprised of) witnessed erratically rising trend all through in the open market. Secondly this period under consideration also reflects a trend of consistent decline of wage level of the workers on the average. As per many authentic studies made by renowned institutions including CMIE etc, overall wage-outgo has been consistently declining as percentage of overall cost of production and also of annual turnover during at least 10 of the 15 years period between 2001 and 2016. All these period-specific features need to be appropriately factored in while changing base year of CPI for Industrial workers is considered. Otherwise the purpose of the entire exercise would be defeated.**

**6. Please also note that after the enactment of Code on Wages Act 2019 and the publication of Draft Rules thereunder by the Ministry, a strong ground for relooking and reworking of the commodity basket of CPI has emerged. The components for minimum wages formulation as elaborated by in Draft Rules proposed by the Ministry under Code on Wages Act in line with the consensus recommendation of Indian Labour Conference (formula recommended by 15<sup>th</sup> ILC along with Supreme Court Judgment in Raptakkos Brett Case) requires reworking of the commodities basket of CPI to include all those components in the basket with appropriate weightage assigned to them. This exercise is also important and crucial to make the CPI truly and transparently reflective of the impact of price movement affecting the workers.**

**7. Therefore, we demand that this should be reworked de novo, involving the trade unions at every stage of decision making as the trade unions represent the actually affected stakeholders in the project of computation of Consumers Price Index along with the base year. This alone will make the exercise of changing base year meaningful, neutral, and transparent reflecting the actual changes in prices.**




We urge upon you to please appreciate, at the present situation dominated by Pandemic, such exercise may not be possible. We therefore request you to please keep the exercise for changing the Base year of CPI-IW in abeyance. The exercise, if at all required, may be restarted after normalcy is restored on an altogether new slate based on the suggestions/observations made by almost all the Central Trade Unions hereinabove and involving the trade union representatives at every stage of such exercise, in the interests of transparency, accuracy, fairness and propriety.

Thanking you,

Yours sincerely,



INTUC



AITUC




HMS



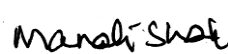
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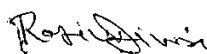
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Minister of Labour & Employment,  
GoI, New Delhi