

(H) PRICES AND WAGES**Prices**

In 1969, the Colombo Consumers' Price Index increased by 7.4 per cent compared to a rise of 5.9 per cent in 1968 and 2.2 percent in 1967. Prices outside the Consumers' Price Index also rose sharply in 1969; price increases were recorded in consumer goods, intermediate goods and investment goods. Unlike in 1968, when prices rose mostly in the second half, in 1969, the price increases were spread evenly over the year.

The rise in prices in 1969 may be attributed to several factors. The introduction of the Foreign Exchange Entitlement Certificate Scheme in May 1968 and the raising of the turnover taxes in August 1968 exerted pressure on prices in early 1969; it appears that the impact of these measures on certain imported and locally manufactured goods was felt in early 1969, owing to the time lag in the importation and production of the goods affected.

In the second half of the year, prices of goods of imported origin and domestically produced goods having a high import content rose both due to a rise in the FEEC rate* and a general upward trend in c.i.f. prices, as a result of inflationary pressures abroad. An increase in the turnover tax on certain manufactured goods in August 1969 also exerted pressure on prices.

Demand pressures emanating after a time lag, from the substantial rise in incomes in 1968, particularly in the rural sector, also appear to have caused prices to rise in 1969, despite the greater availability of goods due both to a rise in output and the liberalisation of imports under the FEEC Scheme. Had there been no demand pressure, the rise in the cost of importation and manufacture of goods noted above might not have been fully reflected in the prices. The increase in wages granted to public servants in October 1969, might also have accentuated demand pressures in late 1969.

The Colombo Consumers' Price Index

The Table shown below gives the quarterly and annual average figures of the Colombo Consumers' Price Index, classified by sector and commodity groups in 1968 and 1969.

The all items index which had remained relatively stable up to 1967, increased by 5.9 per cent in 1968 and by 7.4 per cent in 1969. The food index which has the highest weightage rose by 5.5 per cent, rent by 6.8 per cent, clothing by 9.0 per cent, miscellaneous items by 10.1 per cent and fuel and light by 21.0 per cent.

* The price of Foreign Exchange Entitlement Certificates rose from Rs. 44 to Rs. 55 per Rs. 100 certificate with effect from June 18, 1969.

TABLE II (H) 1
Colombo Consumers' Price Index
 (Base 1952 = 100)

Year	All Items	Commodity-wise					Sector-wise		
		Food	Clothing	Fuel & Light	Rent	Miscellaneous	Domestic Group	Import Group	Export Group
Weights ..	100.0	61.9	9.4	4.3	5.7	18.7	60	35	5
1968 1st Quarter ..	118.9	118.9	116.0	100.0	101.5	130.7	119.7	116.3	140.0
2nd Quarter ..	119.5	119.5	116.4	100.7	101.5	131.6	120.7	116.0	141.1
3rd Quarter ..	122.2	122.0	121.3	103.1	101.5	134.3	124.7	117.4	138.3
4th Quarter ..	125.3	124.5	126.6	109.0	101.5	138.1	127.6	119.5	150.2
Average ..	121.5	121.2	120.1	103.2	101.5	133.7	123.2	117.3	142.4
1969 1st Quarter ..	127.7	125.3	129.5	118.6	104.3	143.9	130.1	121.0	159.8
2nd Quarter ..	129.8	127.3	130.5	122.3	109.8	145.8	133.8	122.2	150.5
3rd Quarter ..	130.4	126.8	130.8	129.4	109.8	148.7	135.1	123.7	132.5
4th Quarter ..	134.2	132.2	132.6	129.4	109.8	150.0	138.0	127.3	151.1
Average ..	130.5	127.9	130.9	124.9	108.4	147.1	134.2	123.6	148.2
Percentage Increase 1969 over 1968 ..	7.4	5.5	9.0	21.0	6.8	10.1	8.9	5.4	4.1

In 1969, substantial increases (over 10 per cent) were recorded in the average prices of certain food items of imported origin viz; milk powder, turmeric, mathe seed, tamarind, and fresh butter. The average prices of some locally produced essential food items such as biscuits, meals purchased, aerated waters, vinegar and lime also showed marked increases in 1969.

Moderate price increases (5 to 10 per cent) were recorded against condensed milk, pepper, spices, dried ginger, coconuts and pappadam. Price increases (1 to 4 per cent) were also registered against tea B.O.P., milk food, condiments, mustard, cummin seed, coconut oil, kraft cheese and jam (local). However, prices of certain essential food items viz; dried chillies, garlic, Bombay onions, eggs and potatoes fell sharply (over 10 per cent) in 1969 due to increased local production and imports. Potatoes and dried chillies which were in short supply in 1968 were available at reduced prices in the market throughout the year.

The index for textiles which rose by 2.9 per cent in 1968, rose sharply in 1969 by 9.0 per cent, due to an increase in the price of banians and towels; prices of long cloth and vetties, however, recorded price decreases.

The index for fuel and light rose by 21.0 per cent, compared to a rise of 6.9 per cent in 1968. This was solely due to an increase in the price of firewood.

The sub-index for rent which had remained unchanged at 101.5 since 1954 was revised to 109.8 in March 1969, to accommodate the increase in rental values, due to periodic changes in property values and rates. The average index for 1969 showed a percentage increase of 6.8 over the previous year.

The index for miscellaneous items rose by 10.1 per cent in 1969 compared to the rise of 3.6 per cent in the previous year. This index rose more or less continuously throughout 1969. Within the miscellaneous group, marked price increases (over 10 per cent) were recorded against betel and arecanuts, hair dressing and toilet requisites, stationery, laundry services and entertainment; moderate price increases (5 to 10 per cent) against medicine and newspapers and small increases against tobacco and liquor. Prices of ceramic-ware, however, fell slightly due to the availability of the products of the Ceylon Ceramics Corporation in 1969.

Prices not covered by the Consumers' Price Index

Price data for a limited number of items not covered by the Consumers' Price Index are obtained from the price lists provided by the dealers and by direct inquiry from retailers in the City of Colombo. These items are classified broadly into consumer, intermediate and investment goods.

The following table shows percentage increases in the prices of selected items between the end of 1968 and end of 1969.

TABLE II (H) 2
Prices outside the Consumers' Price Index¹

Type of Article				Percent increase 1969/1968
Consumer Goods				
Footwear	..	..	..	4-20
Wax Polishes	..	..	..	14-31
Motor Spares	..	..	..	2-39
Sewing Machines	..	..	..	4-10
Electric bulbs	..	..	..	4-23
Aluminium ware	..	..	..	12
Intermediate Goods				
Copper wire	..	..	..	30-40
Soda Ash	..	..	..	55
Investment Goods				
Oils and Paints	..	..	..	10-13
Asbestos Products	..	..	..	3
Tea Machinery	..	..	..	2½
Electric Cables	..	..	..	6-20
Mammoties	..	..	..	12
Mild Steel	..	..	..	14

¹ The range of percentage increases shown against the types of articles indicate the lowest and the highest percentage increases of representative items.

Consumer Goods

The annual average open market price of par boiled rice in Colombo registered an increase of nearly 8 per cent over the 1968 price. Prices which were high at the beginning and the end of the year and low at the middle of the year ranged in the case of par boiled No. 1 quality between Rs. 1.10 and Rs. 1.40 per measure.

Price increases were recorded against footwear 4-20 per cent, wax polishes 14-31 per cent, electric bulbs 4-23 per cent, aluminium ware 12 per cent, and motor spares 2-39 per cent. In the consumer durable category, prices of sewing machines increased by 4-10 per cent.

Intermediate Goods

While the price of fertilizers has remained stable during 1969, the prices of industrial raw materials such as brass, copper, soda ash, have recorded increases. The increase in price of copper wire has been in the region of 35 per cent and of soda ash 55 per cent.

Investment Goods

A steady supply of cement by the Cement Corporation helped to stabilise the price of a bag of local cement at Rs. 13.25 during 1969. Price increases were recorded against mild steel 14 per cent, oils and paints 10-13 per cent, electric cables 6-20 per cent and tea machinery 2½ per cent.

Wages

The Central Bank prepares wage rate indices for technical and clerical employees, minor employees and school teachers in the Government sector. They are calculated from the initial wages and salaries and allowances payable to representative grades and do not include incremental and overtime payments. Wage rate indices for workers in agriculture, industry and commerce covered by Wages Boards in the private sector are also published by the Labour Department. These are based on minimum wage rates fixed by Wages Boards and from December, 1967, devaluation allowances. The base period for these index numbers is 1952.

The wage rate indices referred to above do not represent actual earnings which would include overtime, and in the case of private sector employees incentive or special payments such as bonuses. Indices of real wage rates are calculated by the Central Bank by deflating the wage rate indices by the Cost of Living Index. (the Colombo Consumers' Price Index).

The following table shows the annual and quarterly index numbers of wage rates relating to Government employees for 1968 and 1969.

TABLE II (H) 3
Wage Rate Index Numbers for Government Employees
1952=100

	Technical and Clerical Employees		Minor Employees		Central Government Employees (a)		Government School Teachers	
	Wage Rate Index	Index of Real Wage Rates	Wage Rate Index	Index of Real Wage Rates	Wage Rate Index	Index of Real Wage Rates	Wage Rate Index	Index of Real Wage Rates
1968								
1st Quarter	140.1	117.8	163.0	137.0	152.6	128.3	129.6	109.0
2nd Quarter	140.1	117.3	163.0	136.4	152.6	127.7	129.6	108.5
3rd Quarter	140.1	114.6	163.0	133.4	152.6	124.9	129.6	106.0
4th Quarter	140.1	111.9	163.0	130.1	152.6	121.9	129.6	103.5
Average	140.1	115.4	163.0	134.2	152.6	125.7	129.6	106.7
1969								
1st Quarter	140.1	109.7	163.0	127.6	152.6	119.5	129.6	101.5
2nd Quarter	140.1	107.9	163.0	125.5	152.6	117.5	129.6	99.8
3rd Quarter	140.1	107.5	163.0	125.0	152.6	117.0	129.6	99.4
4th Quarter	157.2	117.2	182.9	136.3	171.3	127.7	141.1	105.2
Average	144.4	110.6	168.0	128.6	157.3	120.4	132.5	101.5

Source: Central Bank of Ceylon.

(a) Combined index for clerical and technical employees and minor employees.

Note The index numbers are calculated on fixed weights, based on the numbers employed as at September 30, 1959. The wage rates used in the calculations of index numbers are the initial salaries and wages and allowances in each representative scale.

In 1969, wage rate indices which had remained stable up to the third quarter, rose sharply in the last quarter, as a result of the payment with effect from October 1, 1969 of consolidated salaries as recommended in the Interim Report of the Salaries & Cadres Commission, 1969; the index for technical and clerical employees increased from 140.1 in the third quarter to 157.2 in the last quarter, for minor employees from 163.0 to 182.9 and for government school teachers from 129.6 to 141.1. Between 1968 and 1969, the annual average wage rate indices increased by 3.1 per cent for technical and clerical employees and minor employees and by 2.2 per cent for school teachers.

Indices of real wage rates for government employees fell in the first three quarters of 1969; following the payment of consolidated salaries, however, they increased from 107.5 in the third quarter to 117.2 in the last quarter for technical and clerical employees, from 125.0 to 136.3 for minor employees and from 99.4 to 105.2 for school teachers. The quarterly indices of real wage rates in 1969, when compared with the corresponding figures for 1968, were lower in the first 3 quarters but higher in the last quarter. Since the improvement took place only in the last quarter, the annual average real wage rate indices for 1969 were lower than the indices for 1968. The average indices for 1969 were 110.6 for technical and clerical employees, 128.6 for minor employees and 101.5 for school teachers. The corresponding figures in 1968 were 115.4, 134.2 and 106.7.

The following table shows the annual and quarterly index numbers of minimum wage rates for workers covered by certain Wages Boards in the private sector for 1968 & 1969.

TABLE II (H) 4
Minimum Wage Rate Index Numbers for Workers in Wages Boards Trades (1952=100)

	Workers in Agriculture (a)		Workers in Industry and Commerce (b)		Workers in Wages Boards Trades (c)	
	Minimum Wage Rate Index	Index of Real Wage rates	Minimum Wage Rate Index	Index of Real Wage rates	Minimum Wage Rate Index	Index of Real Wage rates
1968						
1st Quarter	138.8	116.7	161.6	135.9	141.2	118.7
2nd Quarter	138.8	116.2	161.6	135.3	141.2	118.2
3rd Quarter	138.8	113.5	161.6	132.2	141.2	115.5
4th Quarter	138.8	110.8	161.6	129.1	141.2	112.7
Average	138.8	114.3	161.6	133.1	141.2	116.3
1969						
1st Quarter	138.8	108.7	161.6	126.6	141.2	110.6
2nd Quarter	138.8	106.9	161.6	124.5	141.2	108.7
3rd Quarter	138.8	106.4	161.6	124.0	141.2	108.3
4th Quarter	138.8	103.4	161.8	120.6	141.2	105.2
Average	138.8	106.3	161.7	123.9	141.2	108.2

Source: Department of Labour and Central Bank of Ceylon.

- (a) Covers tea growing and manufacturing, rubber growing and manufacturing and coconut growing trades only.
- (b) Covers coconut manufacturing, engineering, printing, match manufacturing, motor transport, dock, harbour, port transport, tea export, rubber export, cinema and building trades only.
- (c) Combined index for workers in agriculture and workers in industry and commerce.

In 1969, the wage rate index for workers in agriculture remained unchanged at 138.8. The index for workers in industry and commerce which had remained stable in the first three quarters at 161.6 rose slightly to 161.8 in the last quarter. This increase was due to the payment of higher allowances to certain categories of workers in the Printing Trade, in accordance with Section 4 (1) of the Interim Devaluation Allowances of Employees Act No. 40 of 1968.¹

In 1969, the annual average real wage rate indices for the above categories of workers were lower than in the previous year. The average index for workers in agriculture was 106.3 in 1969, compared to 114.3 in the previous year. In the case of workers in industry and commerce, the average index for 1969 was 123.9, compared to 133.1 in the previous year.

1. Under this Act, employees are paid a devaluation allowance plus cost of living or special allowance frozen at their December 1967 values. This Act provides that whenever the cost of living or special allowance payable according to the cost of living index exceeds the aggregate of allowances payable under the Act, employees are entitled to receive the amount of the excess. In 1969, due to the rise in the cost of living index, the special allowance payable to workers in the Printing Trade was in excess of the allowances paid under the Act.

The Government appointed a Special Committee to examine the salary structure and anomalies of all categories of employees in the State - sponsored Corporations in September 1969. The Interim Report on Salaries which was submitted in December 1969 to the Hon. Minister of Finance was referred to a Committee of six Permanent Secretaries to report on the recommendations of the Committee. The Government appointed in December a Committee to examine the salaries, allowances and terms of employment of personnel of the Armed Services.

A new Wages Board for workers engaged in the manufacture of Tyres and Tubes, Tyre re-building and manufacture of Plastic Goods was established with effect from 14.3.1969. With the setting up of this Wages Board, the number of Wages Boards totalled 30, covering over 1.5 million workers. Steps have already been completed to set up a Wages Board for workers engaged in the Tannery, manufacture of Footwear and Leather goods.

The minimum rate of wages for piece work in the Cigar Manufacturing Trade has been increased from Rs. 10.00 to Rs. 13.00 per 1,000 cigars with effect from 1st September, 1969.

With effect from 1st June, 1969 the basic monthly wages for all classes of workers in the Baking Trade were increased by Rs. 15, minimum wages prior to 1st June were Rs. 70 for Class 'A' workers, Rs. 55 for class 'B' workers and Rs. 39 for class 'C' workers.

In 1969, minimum rates of remuneration were determined by Remuneration Tribunals¹ in respect of employees in certain shops and hotels in the City of Colombo; these decisions came into effect from 1st June and 1st December, respectively.

1. Remuneration Tribunals are appointed by the Minister of Labour under the Shop and Office Employees Act (Chapter 129) to determine minimum rates of remuneration for workers not covered by the Wages Boards.