

(H) PRICES AND WAGES**1. PRICES**

Prices went up in 1970 by 5.9 per cent as shown by the Consumer Price Index. However, the rise was below that for the previous year. The average increase in the Price Index for the last three years had been approximately 5 per cent.

There were substantial price increases in a large number of items in the Food, Fuel and Light and Miscellaneous groups. These price increases took place in certain groups of commodities and services which were free of price control. The rise in prices in some cases seems to have been influenced by supply factors both domestic as well as import. In certain cases the imposition of turnover taxes has tended to increase prices. In a situation where supply has been more or less inelastic, demand pressure forces prices up rather sharply. However, some moderation seems to have been achieved by price control measures introduced towards the latter part of the year, but these were effective only on a limited number of items.

Another important factor affecting the general level of prices is wages. Wages, account for an appreciable share of production costs and when they go up faster than output the result is a rise in unit production costs. This development would have a direct impact on prices unless producers absorb the increase. During 1970 there had been several wage increases in the industrial and agricultural sectors. These in turn would have exerted some upward pressure on prices.

Besides the factors already mentioned the rate of monetary expansion has also tended to push up prices. Money Supply recorded a substantial increase in the first 9 months of 1970 although for the year as a whole the average monthly level of Money Supply was 4 per cent higher than in the previous year.

(a) The Colombo Consumers' Price Index

The All Items Index increased by 5.9 per cent in 1970 in comparison with an increase of 7.4 per cent in 1969. The Food Index, which has the highest weightage in the overall index, rose by 6.8 per cent, Clothing by 4.9 per cent, Fuel and Light by 9.0 per cent, Rent by 1.3 per cent, and Miscellaneous items by 4.1 per cent; the corresponding increases in 1969 were 5.5 per cent, 9.0 per cent, 21.0 per cent, 6.8 per cent and 10.1 per cent, respectively.

In 1970 prices of mustard and pepper recorded increases exceeding 100 per cent. In the case of garlic and dried ginger the price increases were 64 per cent and 87 per cent respectively. The prices of the following items increased by as much as 20 per cent: condiments, dried chillies, turmeric, fennel seed, and dried fish. Substantial increases (over 10 per cent) were also recorded for

vinegar, spices, tamarind, vegetables and fruits, beef, mutton, fresh fish, papadam and firewood. There were moderate price increases (over 5 per cent) in cereals, condensed milk, milk powder, red onions, bombay onions, butter and local jam. To some extent, supply and distribution factors seem to have contributed to the rise in prices of a large number of items in the food group.

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	60.0	35.0	5.0
1966 Average ..	112.3	109.1	117.0	95.9	101.5	127.3	116.8	105.4	127.6
1967 Average ..	114.8	112.7	116.7	96.5	101.5	128.9	117.1	111.2	123.9
1968 Average ..	121.5	121.2	120.1	103.2	101.5	133.6	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	150.1
Average ..	130.5	127.9	130.9	124.9	108.4	147.1	134.2	123.6	148.2
1970 1st Quarter ..	137.3	136.5	134.4	129.4	109.8	151.8	140.2	129.3	175.6
2nd Quarter ..	138.5	137.0	137.0	138.3	109.8	153.2	144.3	128.8	150.7
3rd Quarter ..	137.8	135.5	138.7	138.3	109.8	153.6	143.0	129.7	144.4
4th Quarter ..	139.1	137.2	139.0	138.3	109.8	154.4	144.2	129.5	158.5
Average ..	138.2	136.6	137.3	136.1	109.8	153.2	142.9	129.3	157.3
Percentage increase 1970 over 1969 ..	5.9	6.8	4.9	9.0	1.3	4.1	6.5	4.6	6.1

Source: Census & Statistics Dept. and
Central Bank of Ceylon.

Price decreases have been relatively few and the magnitude of the decreases had been relatively insignificant. The items for which some price decreases were recorded in 1970 are the following: tea, cummin seed, kraft cheese, shirtings, sarongs, grey cloth, banians, towels and household linen.

The index for clothing as a whole rose by 4.9 per cent as against a rise of 9.0 per cent in 1969. This was mainly due to increases in the prices for long cloth. Marginal price reductions, however, have been effected during 1970 for certain items of clothing.

The index for fuel and light went up by 9.0 per cent in 1970, as against a rise of 21.0 per cent in the previous year. The upward trend in the Index reflects mainly the tendency for prices of firewood to increase rather sharply during the year.

The index for rent rose by 1.3 per cent in 1970 as against 6.8 per cent in 1969. This is suggestive of some degree of stabilization of house rents during the year under review.

The increase in the index for Miscellaneous items in 1970, was less sharp in comparison with the previous year. The main reason for price increases in this category seems to have been the rise in turnover taxes. However, the price controls imposed towards the latter part of 1970 tended to bring down the prices of certain items (e. g. toilet requisites, pharmaceuticals, bicycle tyres and tubes, educational stationery) thereby dampening the general increases in prices for the year as a whole.

(b) 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 published price lists and by direct inquiry from the retailers in the City of Colombo. These items are broadly classified into Consumer, Intermediate and Investment Goods.

The following Table shows percentage changes in the prices of selected items between the end of 1969 and the end of 1970.

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

Type of Article					Percentage change 1970/1969
Consumer Goods					
Footwear	..	..	..	..	— 12
Sewing Machines	..	..	..	..	— 4
Toothpaste	..	..	..	..	— 18 to 22
Umbrellas	..	..	..	..	— 17 to 28
Flashlight and Transister Batteries	..	..	..	..	— 12 to 16
Shirts	..	..	..	..	— 15 to 29
Slates	..	..	..	..	— 5 to 20
Mathematical instrument sets	..	..	..	..	— 15
Carbon Paper	..	..	..	..	+ 30
Motor Spares	..	..	..	..	+ 6 to 30
Cotton Thread	..	..	..	..	+ 22
Intermediate Goods					
Fertilizer	..	..	..	..	+ 3 to 27
Copper wire	..	..	..	..	+ 15
Soda Ash	..	..	..	..	+ 13
P.V.C Compound	..	..	..	..	+ 10
Investment Goods					
Tea Machinery	..	..	..	..	+ 21 to 35
Grinding machines	..	..	..	..	+ 7
Insulated and Sheathed Cables	..	..	..	..	+ 7 to 24
Mild Steel	..	..	..	..	+ 12
Clay Tiles	..	..	..	..	+ 9 to 20
Plywood	..	..	..	..	+ 2 to 17

* The range of percentage change shown against the types of articles indicates the lowest and the highest percentage changes of representative items.

Consumer Goods

The annual average open market price of par boiled rice in Colombo for the year 1970 has registered a drop of nearly 3 per cent over that of 1969. Though the average price for the first half of 1970 rose by 5 per cent over that of the corresponding period for 1969, the average price in the latter half of 1970 recorded a 6 per cent fall over that of the corresponding period in 1969.

Price reductions have taken place in footwear and sewing machines while price increases have occurred in carbon paper, motor spares and cotton thread.

Price Control

The prices of the following items were reduced by Price Control Orders published in the Ceylon Government Gazette Extraordinary of 30th September, 1970, 21st October 1970 and 11th December, 1970:- tooth paste, flashlight and transistor batteries, umbrellas, shirts, slates and mathematical instrument sets.

Intermediate Goods

Prices of fertilizers have recorded increases ranging from 3 to 27 per cent while copper wire and soda ash and P. V. C. compound rose by 15 per cent, 13 per cent and 10 per cent respectively.

Investment Goods

The prices of mild steel and grinding machines increased by 12 per cent and 7 per cent respectively. The increases recorded for tea machinery, insulated and sheathed cables, clay tiles and plywood ranged from 21 to 35 per cent, 7 to 24 per cent, 9 to 20 per cent and 2 to 17 per cent respectively.

2. 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 published by the Labour Department. These are based on minimum wage rates fixed by Wages Boards and from December, 1967 include 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 rates indices by the Cost of Living Index (the Colombo Consumer's Price Index).

The following table shows the annual and quarterly Index numbers of wage rates and real wage rates of Government employees for 1969 and 1970.

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
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
1970								
1st Quarter ..	157.2	114.5	182.9	133.2	171.3	124.7	141.1	102.7
2nd Quarter ..	157.2	113.5	182.9	132.1	171.3	123.7	141.1	101.9
3rd Quarter ..	157.2	114.1	182.9	132.7	171.3	124.3	141.1	102.4
4th Quarter ..	157.2	113.0	182.9	131.5	171.3	123.2	141.1	101.4
Average ..	157.2	113.8	182.9	132.4	171.3	124.0	141.1	102.1

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.

Following the payment of consolidated salaries with effect from October 1969, as recommended in the Interim Report of the Salaries and Cadres Commission of 1969, the wage rates of Central Government employees remained stable throughout 1970. The wage rate indices for technical and clerical employees remained at 157.3, for minor employees at 182.9, and for school teachers at 141.1. In comparison with 1969 the annual average wage rate indices recorded an increase of 8.9 per cent for technical and clerical and minor employees and 6.5 per cent for school teachers.

The quarterly indices of real wage rates for Government employees in 1970, were higher than the respective quarterly indices for 1969 except in the last quarter of 1970. As a result of the payment of consolidated salaries as from October 1969 the real wage rate index in the last quarter of 1969 increased substantially. However, the indices of real wage rates for Government employees, and Government school teachers fell in the last quarter of 1970 by 3.5 and 3.6 per cent respectively as compared with the corresponding indices for the last quarter of 1969. The annual average indices of real wages, of Government employees and Government school teachers were higher in 1970 than in 1969. Average indices of real wages for technical and clerical employees increased by 2.9 per cent. In 1970 for the minor employees category the increase was 3.0 per cent, while for Government school teachers the increase was 0.6 per cent.

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 1969 and 1970.

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
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
1970						
1st Quarter	139.8	101.8	162.2	118.1	142.2	103.5
2nd Quarter	140.3	101.3	162.3	117.2	142.7	103.0
3rd Quarter	140.3	101.8	165.5	120.1	143.0	103.7
4th Quarter	140.5	101.0	174.2	125.2	144.0	103.5
Average	140.2	101.5	166.1	120.2	142.9	103.4

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 1970, the quarterly and annual average wage rate indices of private sector employees were higher than in the previous year. Annual average wage rate index for workers in Agriculture recorded an increase of 1.0 per cent moving up to 140.2 in 1970. The average wage rate index for workers in Industry and Commerce rose from 161.7 in 1969, to 166.1 in 1970, an increase of 2.7 per cent.

During the first quarter of 1970, the wage rate indices for workers in Agriculture, Industry and Commerce rose to 139.8 and 162.2 respectively as a result of the payment of higher allowance in accordance with Section 4 (i) of the Interim Devaluation Allowances of Employees Act No. 40 of 1968.¹ In the third quarter of 1970 the average wage rate index for workers in Industry and Commerce rose to 165.5 recording an increase of 2.0 per cent over the figure of 162.3 for the

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 allowances payable under this Act, employees are entitled to receive the amount of the excess. In February 1970, owing to the rise in the cost of living index, the special allowances payable to workers in tea growing and manufacturing, rubber growing and manufacturing, coconut growing and manufacturing, printing and motor trades were in excess of the allowance paid under the Act.

2nd quarter. This was due to an increase of Rs. 1.35 per day in the minimum consolidated wages payable to all workers of the engineering trade with effect from 1st September 1970. During the 4th quarter the average wage rate index for Agricultural employees rose from 140.3 to 140.5 recording an increase of 0.1 per cent, while the average index for workers in Industry and Commerce increased from 165.5 to 174.2 or by 5.3 per cent. This again was the result of the payment of higher allowances to workers in the plantation trades and the increase of Rs. 1.35 per day in minimum consolidated wages for all categories of workers in the tea export trade with effect from 1st November, 1970.

In 1970, the annual average real wage rate indices were lower than those for the previous year. The average index for workers in Agriculture fell by 4.5 per cent from 106.3 to 101.3 per cent while the average index for workers in Industry and Commerce declined by 3.0 per cent from 123.9 to 120.2 in 1970.

The basic wages payable to certain time rated workers in liquor and vinegar trades have been increased with effect from 1st June 1970 and the minimum consolidated wages applicable to conductors in the coconut growing trade have been increased by Rs. 25/- with effect from 1st October, 1970.

The minimum rates of remuneration payable to employees of 257 shops in the Fort and Pettah areas as determined by a Remuneration Tribunal under the Shop and Office Employees Act came into force from 1st December, 1970.

The Government appointed a Committee of Inquiry to make recommendations for the implementation of the proposals made in the Throne Speech. The Committee will be concerned with a Charter of Workers' Rights including equal pay for equal work, bonus payments, increase of E.P.F. contributions, abolition of under-payment to workers specially female workers in the sweated and cottage industries.

A Cabinet Sub-Committee was appointed in October 1970 to inquire into matters pertaining to terms and conditions of employment in Statutory Boards and Corporations.