

**ALL INDIA INSURANCE EMPLOYEES' ASSOCIATION**  
**LIC BUILDING SECRETARIAT ROAD HYDERABAD 500 063**  
(E-mail: aiieahyd@gmail.com)

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To

All the Zonal/Divisional/State/Regional Units

Dear Comrades,

**Re: Change in the Base Year of Consumer Price Index for Industrial Workers**

The Ministry of Labour and Employment of the Government of India recently changed the Base Year for the calculation of the Consumer Price Index (CPI) for Industrial Workers from the year 2001 to 2016. Justifying the change, the government has said that this was done to reflect the changing consumption pattern of the workers. The government also claims that this was done in the interest of the workers. The government tried to present the change as a routine matter. The Press Release of the Labour Bureau casually mentioned that just as the Base years had been changed in the past from 1944 to 1949; 1949 to 1960; 1960 to 1982 and 1982 to 2001; this time it was being changed from 2001 to 2016.

The AIIEA views this as one more attack by the government on the lives and livelihoods of the workers. The trade union movement had conveyed its objections to the Government way back in the month of August through reasoned arguments. The announcement of the government to change the Base Year is therefore arbitrary, undemocratic and against the interest of the workers. This is simply intended to suppress the real impact of price rise (inflation) and deny any legitimate increase in dearness allowance to the workers. This is one more step in the service of the employer class by utilizing the pandemic situation as an opportunity.

The relative weight given to different consumption baskets for determining the index has been changed very deceitfully. For example, the weight assigned to food items has been reduced from 46.2% to 39% - a clear 7 per cent reduction! This has been done at a time when food inflation is particularly high. The experience with neo-liberalism in India tells us that while prices of essential food items have been increasing relentlessly, those of non-essential items particularly consumer durables are on a constant decline. Common sense tells us that giving less weight to an item that costs more would only keep the index down. Moreover, the government is trying to suppress the real impact of price rise and deny any benefit to the workers at a time when the global Hunger Index 2020 places India at the 94<sup>th</sup> rank among 107 countries. This attempt to debar the workers from their legitimate dues is particularly condemnable because the per capita real consumption expenditure in rural India, according to the government's own estimates, was 9% lower in 2017-18 than in 2011-12. The contention of the Government that change in the relative weights of different items has been done to reflect the changing consumption pattern of the workers is, therefore, not tenable.

The choice of the year 2016 as the new Base Year is also rather baffling. Any ordinary student of Economics would tell us that selecting a Base Year is one of the most important tasks in the computation of index numbers and the Base year should be such a year in which no major economic upheaval has occurred. 2016 is the year in which the present government brought about an economic disaster in the form of the infamous 'Demonetisation'. Interestingly, the same year has been chosen as the Base Year with an intention to suppress the real impact of price rise.

Under the new series, the Government also declared the linking factor for conversion of the new series to old series as 2.88. This is another clever attempt to short change the workers. The linking factor has been arbitrarily and unscientifically fixed at 2.88. It is to be noted that when the base Year was changed from 1960 to 1982 after a gap of 22 years, the linking factor was fixed at 4.93. Similarly, when the Base year was changed from 1982 to 2001 after a gap of 19 years the linking factor was fixed at 4.63. Now, how can the linking factor be only 2.88 when the Base Year is being changed after a gap of 16 years? The obvious ploy here is to keep the price index artificially down so as to deny the workers a legitimate increase in the Dearness Allowance. **AIIEA's letter to the LIC/GIPSA managements demanding Dearness Allowance on the basis of the revised linking factor is therefore without prejudice to our principled opposition to the change in the Base Year.**

We are confident that insurance employees under the banner of the AIIEA will see through the designs of the Government and resist the attack on their lives and livelihoods by making common cause with other sections of the toiling people.

Let the Countrywide General Strike on 26<sup>th</sup> November 2020 be a collective expression of our resistance against the anti-people measures of the ruling class.

With Greetings,

Comradely Yours



General Secretary