CHAPTER-V

ROLE OF MONETARY COMPENSATION AND LEGISLATIVE MEASURES AND THEIR IMPACT ON INDUSTRIAL RELATIONS

5.1 INTRODUCTION

Any amount of planning and motivating would be unfruitful, if the people are not properly compensated to their efforts. This may, perhaps, be the reason why compensation (wages, allowances and bonus) has been the cause of between 40-62 percent of industrial dispute in India from 1961 to till today. Demand of state employees for parity in wages with central govt. employees, is one of the example of barrier in Industrial Harmony, (parity) within the state and with Central Govt.)

Even after the independence of India, no national wage policy, which is applicable to all states, is enforced with computation. The national wage policy declared by Central Govt. is applicable with reference to 'capacity to pay' by states. It has empowered the state government to discriminate the wages according to her own available resources and consequently giving birth to employees grievances.

No wonder, a good compensation is an indispensable aspect of human resource management leading to industrial harmony.

Wage fixation in Public Sectors are not commensurate with Private Sector or vice-versa. Some of the Public Sector Organisations are yielding
higher wages to its employees while others are the edge of closure and only minimum wages to its employees. Multi National Corporations/Companies have much higher wages than National Industries.

Compensation

Compensation is the recompense, reward, wage or salary given by an organisation to a person, persons or a group of persons in return to a work done, service rendered or a contribution made towards the accomplishment of goals. Compensation can be given in monetary or non-monetary terms, or as a special reward for a specific type of accomplishment, achievement on contribution. Wage, D.A., bonus and other allowances are example of monetary compensation, while good accommodation, children's educational, transport facilities, subsidized ration of essential commodities etc., come under non-monetary compensation. In short, wages paid to blue collar workers or salaries paid to white collar employees can be classified as compensation. It is a responsibility of priority for human resource manager to formulate policies and strategies to establish a remuneration system acceptable, equitable and adequate for every employee to satisfy his or her needs. A good compensation package or a well accepted take home remuneration package is a good motivator. A company which does not pay remuneration adequate enough to meet the needs of its people can not claim for good harmony within the industry.
5.2 PARTS OF COMPENSATION

(A) Base Compensation for the job.

(B) Incentive Compensation.

(C) Supplementary Compensation.

(A) **Base Compensation**

Base compensation is the basic pay fixed to various categories of jobs, posts or positions. Scales of pay are fixed for different posts in every organisation. This can be based on the job, job content, job importance, job skills etc. Most often base compensation is paid in monetary terms and hence the base compensation is considered as monetary compensation.

In the process of fixing base compensation some important factors are generally taken into consideration-

(i) Job-content.

(ii) Bargaining Power of the Trade Union.

(iii) Demand-Supply interplay of the specific category of jobs or positions.

(iv) Remuneration Level in the industry, identical firms or the firms in the locality for the specific job.

(v) Firms ability to pay.
(vi) Productivity, profitability and the firms financial positions.

(vii) Standard of living or cost of living.

(viii) Legal provision.

**Equity Principle in compensation plan**

Equity focuses on justice; every employee must get justice from his employer. The compensation that an employer gives to his employees must be in accordance with what every employee deserve. Obviously equity does not mean equality, though all those who do the same work with the same efficiency deserve the same compensation.

**Equity are affected by two factors**

(i) The ratio of compensation to one's input of effort, education, training, endurance or adverse working conditions etc.

(ii) The comparison of this ratio with the perceived ratios of significant other people with whom direct contact is made.

Equity usually exists when a person perceives that the ratio of outcomes to inputs is in equilibrium, both internally with respect to self and in relation to others.

2. **Incentive Compensation**

A good incentive system motivates people to put in their best efforts to perform well.
5.3 STEPS IN INCENTIVE PLAN

Incentive Plan/Methods of Wage Payment

5.4 INCENTIVE PLANS/METHODS OF WAGE PAYMENT

The various plans are designated as incentive plans because they provide an incentive to workers to produce more and are paid bonus or premium for additional work. This additional payment may be called incentive plan/wages or bonus. Such incentive wage payment systems or
plans, which provide for additional payment for the better performance of workers over and above the standard performance, may be called incentive wage payment systems or plans. Almost all such incentive plans provide for minimum guaranteed or hourly basic.

**Essential features of incentive plans**

(i) Acceptability (Management, worker & Trade Union)

(ii) Simplicity.

(iii) Scientifically set standards-work device, time & motion study etc.

(iv) Direct effort reward relationship.

(v) Stability.

(vi) Equitability.

(vii) Minimum guaranteed wages.

(viii) Conductive to workers health and welfare.

(ix) Flexibility.

(x) Follow-up.

**Reasons of opposing incentive plan**

(i) Opposition from indirect labour.

(ii) Arbitrary standards.
(iii) Inefficient workers.

(iv) Barriers in speeding work.

**Type of incentive plans**

There are two types of incentive plans

1. Personal incentive plans.

2. Group incentive plans.

1. **Personal incentive plans**

   This may be either time based or production based.

   In time based plans workers are rewarded for better performance on the basis of time saved in completing a minimum standard of work in standard time. (Halsely & Rowan plans)

   Under production based plans a worker is allotted a standard work to be completed in standard time and bonus is paid only if he completes the standard work within given time otherwise no bonus is paid to him. (Taylors and Gnatts plan)

2. **In group incentive plans**

   The whole group of workers are induced. Each member of the work group is rewarded on the basis of performance of the group either equally or in specified proportions.
Personal/Individual incentive plan:

1.A. **Halsey Premium Plan**

Under this system/plan the worker is paid a percentage of the time saved over the standard rate per piece. A standard time is fixed for each job or operation. If a worker completes the job within standard time or more than standard time, he is paid standard rate.

But if the job is completed in less than the standard time fixed for the job he is given wages for the actual hours taken plus bonus equal to (normally) one half of the wage of time saved. However in practice the bonus rate varies from 33.1/3% to 66.2/3%. The rest of the portion is the share of the employer.

**EARNING=TIME TAKENxRATE+%OF STANDARD TIME**

\[(T \times R + 50\% \times (S.T.) \times R)\] Time taken x rate for e.g.

<table>
<thead>
<tr>
<th>Time allowed for the job</th>
<th>12 hours</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time taken</td>
<td>9 hours</td>
</tr>
<tr>
<td>Rate per hour</td>
<td>Rs. 2/-</td>
</tr>
</tbody>
</table>

**Solution**

\[
\begin{align*}
\text{Standard time or (S)} & = 12 \text{ hours} \\
\text{Time taken (T)} & = 9 \text{ hours}
\end{align*}
\]
Rate (R) = Rs. 2/-ph.

Total Earnings = T x R + 50% (S-T) x R
= 9 x 2 + 50/100 (12-9) x 2
= 18 + 1 \frac{1}{2} x 6

Rs. = 21

Effective Rate of Earnings P.H.
= Total earnings/Time Taken
= 21/9 = 2.33 = Rs. 2.33 P.H.

(if percentage of bonus to be given to workers is unknown, it should be taken as 50%)

1.A.1. Halsey were premium plans

Under this plan, other things being the same as halsey plan, the rate of premium usually applied is 33.1/3:66.2/3 sharing plan basis.

Solution-

T x R + 33.1/3% (S-T) x R
= 9 x 2 + 33.1/3% (3) x 2
= 18 + 2 = Rs. 20.
2. **Rowan System**

This system is similar to halsey plan. The only difference between the two systems is in calculating the premium. In this system the worker is guaranteed at ordinary rate of wages and bonus is paid in respect to time saved. The bonus hours are calculated as the proportion of the time saved bears to the standard time allowed.

\[
\text{Formula} = \frac{S-T}{S} \times T \times R \text{ and the total}
\]

\[
\text{Earning} = T \times R + S - \frac{T}{S} \times T \times R
\]

\[T = \text{Time taken (Actual time)}\]

\[S = \text{Standard time (Time allowed)}\]

\[R = \text{Rate per hour.}\]

3. **Taylor's differential piece rate system**

This system was originated by F.W Taylor, the father of scientific management. It is based on the assumption that the degree of efficiency varied from worker to worker and hence the workers must be paid according to their degree of efficiency.

Under this system there is no guarantee of minimum wages standard of time and standard of work is determined on the basis of time study. A dual system of piece work rate is used one lower rate applicable to poorer or newer worker whose production is below standard an another higher rate is
applicable to more efficient and experienced whose production is above the standard.

Merits

1. Penalise inefficient worker and rewards efficient worker.

2. System is scientific and based on proper worker study and standardisation of jobs.

3. Easy to understand and simple to operation.

Demerits

1. Against the labour unity and solidarity.

2. No guarantee for minimum wage.


Application

The efficiency of a worker may be determined as a percentage either-

1. of the time allowed for a job to the actual time taken or

2. of actual output to the standard output, within a specified time.

Example

A. Standard Time allowed for a job-9 hours.

   Actual Time taken for the job-12 hours.

B. Standard out put-5 units per hours.
Actual output-6 units per hours.

**Efficiency**

i \(\frac{9}{12} \times 100 = 75\%\)

ii \(\frac{6}{5} \times 100 = 120\%\)

From the following particulars calculate earnings of worker-

**Standard time per piece** 10 Minutes

**Normal rate per hour** Rs. 0.60/-

in a 8 hour day

A. Produced - 45 units

B. Produced - 55 units.

**Solution**

Standard production per hour \(= \frac{60}{10} = 6\) units

Standard production per day \(= 8 \times 6 = 48\) units

Piece rate \(= \frac{60}{6} = \text{Rs. } 10.00\)

**Efficiency**

A. \(\frac{45}{48} \times 100 = 93.75\% \text{ (Less than 100\%)}\)

B. \(\frac{55}{48} \times 100 = 114.58\% \text{ (More than 100\%)}\)
Payment (Earnings)

A = Low piece rate 80% of Rs. 10 = Rs. 8.00
B = High piece rate 120% of Rs. 10 = Rs. 12.00

A 'S earnings = 45 x 0.08 = Rs. 3.60
B'S earning = 55 x 0.10 = Rs. 5.50

Gnatt's Task System

In order to moderate the tailors plan, Mr. H.L. Gnatt evolved a new system of wage payment. Under this system, wages on time basis are guarantee. A standard of performance is also ascertained is a worker fails in completing the standard work in standard time, he is paid only minimum wages and no bonus but if he attains the standard, he will get minimum wages plus a fixed percentages of bonus decided before hand at the fixed percentage of the time taken. The rate of bonus usually is 20% to 50% of the time allowed and not the time saved. If a worker completes the job in lesser time, he is paid a higher piece rate for the whole production.

Merits

1. Easy and Simple.
2. Stronger incentive to efficient worker but also guarantees minimum wages to inefficient worker.
Demerits

1. Like Taylor's system creates disunity, weakens trade unions.

2. If the minimum wages is too high worker will not bother for improving performance.

Example

Standard production 40 units per week.

Time = Rs. 5 per hour or Rs. 200 for 40 hours week.

Piece rate above standard output = Rs. 6 per unit.

Output for the week -

A - 32 units
B - 37 units
C - 42 units

Solutions

Total wages for the week

A  =  32 units of time rate of Rs. 5 per hour
     =  40 hours or Rs. 2.00 (per unit cost Rs. 6.25)

B  =  37 units of time rate or Rs. 5 per hour
     =  40 hours or Rs. 200 (5.41 per unit)

C  =  42 units x Rs. 5 plus 20% bonus of total output with higher piece rate.
3. **Supplementary Compensation**

Supplementary compensation is an additional compensation package given to the employee annually, so that the employee would be motivated to renew his commitment to work. Additional annual wage, employee profit sharing (present day bonus), production sharing plans, employees equity participation as an additional bonus etc.

In India 8.33 percent of the annual wages are paid as statutory annual bonus. But the companies who have plan to pay more can do as per their plan. An annual gift scheme is cash or kind, an annual get together, or some other valuable device can be chosen to motivate the employees. IFFCO, Phulpur, Allahabad provide both (bonus, cash & kind) to motivate their employees.

5.5 **WAGE ADMINISTRATION**

In recent times, wage administration has become an important concern of every actuating manager because wage matters have become important issues for industrial conflicts, disputes and struggle.

Good payments get better employees who stick for longer time. On the other hand turnover of executives and people would be greater when their remuneration is understood to be less than what is prevalent in the industry, identical firms and in the same locality.
A good wage system must be-

1. The system of wage should be fair to all.
2. A minimum wage should be assured to all workers.
3. The system should be acceptable and adoptable to workers.
4. It should have features of simplicity, certainty and flexibility.
5. It should provide adequate incentives to workers.
6. It should have conformity with various labour laws and regulations.
7. It should be fair and practically applicable.

There are various types of wages in practice. Piece rate, time rate, living wage, fair wage, minimum wage etc. are prominent among the various approaches to wage payment.

A. Piece Rate

Fixed wage paid for completing a given amount of work can be called piece-rate. The time under this system/method is not essence. It is assumed that the worker will not take more than the average time to complete a job. The earning of worker depends upon the speed of his work and his own individual skill and efficiency. Wages differ from worker to worker depending upon quantum of output.
Example

Wages/earnings ➔

No. of units produced x Rate per unit /piece

B. **Time Rate**

   The definite wages for a given period of time like one hour, two hours, weekly or monthly can be called time wages. The minimum wage rate, the need based minimum wages, fair wage, living wage etc. fixed by Govt. or the wage board or through the collective bargaining mechanism, are on time based principles.

   Example-

   Wage = Hours worker x Rate per hour

   or

   = Days worker x Rate per day

C. **Fair Wage**

   Fair wage is fixed between the minimum wage and living wage. The committee on Fair wages, in their report as early as 1949 concluded, "while the lower limit of the fair wage must obviously be the minimum wage, the upper limit is equally set by what may broadly be called the capacity of industry to pay". According to the committee, fair wage may depend on the following factors:-

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i The productivity of Labour.

ii The prevailing rate of wages in the same or similar occupations in the neighbouring localities.

iii The level of national income and its distribution.

iv The place of the industry in the economy of the country.

D. (a) Need based minimum wage - (NBMW)

The 15th session of the Indian Labour conference held in 1957 at Nainital decided to accept "NEED" as the criterion for the determination of minimum wage for industrial workers. The resolution adopted at the conference (ILO Tripatite-management, workers and Govt.) has included five main principles for determination of the need-based minimum wage.

i Supported by a single worker, the standard working class family should consist of three adults.

ii Minimum food requirements should be calculated on the basis of a daily intake of 2700 calories per adult (recommended by Dr. Aykroyd)

iii Clothing requirements should be estimated at a per capita consumption of 18 yards per annum.
iv Housing needs should be calculated on the basis of house rents charged by the Govt. for houses that it provides to its employees under the subsidised industrial housing scheme for low income group.

v Expenses on light, fuel and miscellaneous items etc. should approximate to 20 percent of the total minimum wage.

(The recommendations could not find favour in first and second pay commission. However, it was considered in the third pay commission to some extent).

(b) Minimum Wage

As the name suggest, represents the level of wages below which wages are not allowed to drop. It implies the minimum payment of wages to a worker, which is just sufficient to cover the base physical needs of the workers and his family and also to maintain his efficiency. Thus, minimum wages should ensure a reasonable minimum standard of living from standpoint of health, efficiency and well being of worker.

The minimum wages act 1948 has not defined minimum wages. But the act empowers the state and Central Govt. to fix minimum wages rate payable to the workers of specified sweated industries, viz woolen market making, shawl weaving, establishment of dall, rice or flour mills, tobacco including bidi workers, plantations, oil mils, employment under any local authority, road construction or building operations, stone breaking or
crushing, mica works, lac manufacturing, public motor transport, leather manufacturing and agriculture.

The courts and industries generally follow the definition given by the fair wages committee 1948. The friar wage committee has defined the minimum wages as under:

"............... a minimum wage must provide not merely for base substance of life but for the preservation of the efficiency of the worker. For the purpose the minimum wage must also provide for some measures of education, medical requirements and amenities."

The content of minimum wage varies from time to time and place to place. The State Govt. take following three factors into account before fixing minimum wages.

i The need of the workers.

ii The capacity of the industry to pay.

iii The job contents of different categories of work.

Statutory minimum wage is the wage which is fixed by the statue and it may be higher than the base subsistence or minimum wage.

E. Living Wage

The concept of living wage is also enriched in the constitution of India. The objective of the International Labour Organisation laid down in
the preamble to its constitution provide, among other things, for an adequate living wage and recognition of the principle of *equal remuneration for equal work*.

The living wage concept has received further attention ever since the preparatory Asian Regional Conference of ILO, held in New Delhi in 1947, adopted a resolution in respect of wage policy. The resolution held that every effort should be made to improve wage standards in industries and occupations in Asian countries, with a view to achieve a living wage for every worker. In it pursuance, Govt. of India in 1948, has emphasized the two concept of minimum wage and living wage'. According to the report (1949) a living wage should enable the male wage earner" to provide for himself and has family not merely the base essentials of food, clothing and shelter, but a measure of frugal comfort including the education for the children, protection against ill health, requirements of essential social needs, and a measure of insurance against the more important misfortune including old age."

*(Living wage is a desirable rate of wage adequate enough to maintain the worker and his family for the present and future minimum wage is the lowest rate of wage inevitable for the worker especially sweated labour, to make both ends meet).*
F. National Minimum Wage

A national minimum wage was suggested by Boothalingram Panel in May 1978. The proposal of a target national minimum of Rs. 150 to be attained about seven years (in 1978, prices) need not to be taken seriously now. The panel, felt that this figure itself was not attainable, hence it begin with, a national minimum wage below which no regular employment will be permitted is to be fixed at four rupees per day of eight hours, unskilled work for an adult or Rs. 150 is reached and thereafter revision can be made every three years. Statutory minimum wages may be brought up to this level wherever it is lower.

Indian is one of the ten industrialised nations in the world. Large scale employment has become the order of the day. Consequently, a national wage policy may be necessary.

5.6 WAGE DETERMINATION

The unit, employer or manager who is involved in wage determination may keep his work's welfare in his mind. This may promote a cordial relationship in his organisation.

As far as an individual company is concerned, wage administration study wage determination, job evaluation and wage payment. Performance evaluation data may also be taken into account in wage. However, on many occasions it may not be practicable.
Wage Influencing Variables

**Stage 1**

- Individual Workmen
  - Specially decide the wage for the job
- Employer

**Stage 2**

- Collective bargaining
  - Price for the job
- Local area going rates
  - Tribunal Counts
  - Employees wage and components

- Govt. laws wage board
- Philosophy of management towards wages
- Capacity to pay
- Internal pricing through job evaluation

Intermixture of these variables in a particular organisational context results in the wage structure in a particular plant.
Stage-1:- Self contained model where external influence is marginal.

Stage-2 :- Depicting the interplay of external and internal influence.

Job evaluation is generally used in relation with the determination of wages.

5.7 JOB EVALUATION

Job evaluation is the process of establishing the value of jobs in a job hierarchy. Job values may be determined by negotiation or fixed on the basis of broad assumptions about market rates and internal relations. Job evaluation is a comparative process which enables to compare jobs by using common criteria to define the relationship of one job to another.

Job description and job specification are required as a part of job-evaluation as it provide necessary data concerning the factors to be measured. Job analysis is closely linked with job-specification and description.

Job description

A primary output or result of job analysis is as job description. A complete job-description should rightly contain three categories of information.

1. Job mission and location

2. The work performed
3. The content in which the action take place

   It should be as brief, factual and precise as possible.

**coverage/Headings**

1. Job title

2. Reporting to

3. Reporting to him

4. Overall responsibility

**Job specification**

   Job specification is a product of job analysis and a refined from of job
description may contain the duties in terms of skill education, experience,
special attitude, etc. (Job description is related with job while job-
specification is concerned with employee)

**Job analysis**

   Job analysis is the process of collecting information regarding the
operation and responsibilities of a specific job and studying it in detail
leading to job description and job-specification. It defines the activities
involved in job requirements, machines, tools and materials to be used, time
taken by employees to meet the job evaluation.
It helps in the functions like procurement of people, training them, wage fixation, etc. It uses the methods of observation, interview and questionnaire.

5.8 METHODS OF JOB EVALUATION

Several techniques are available for job evaluation:

1. Ranking Method.

2. Job Classification.

3. Point-Rating.

4. Factor Comparison.

1. Ranking method

This is the oldest and simplest method of job evaluation. The aim should be to judge each job as a whole and determine its relative place in a hierarchy by comparing one job with another. This can be done by arranging order of importance.

Facts of job; Decisions, complexity, knowledge and skills, physical effort required to carry out the job.

Procedure

1. Analysis and describe the jobs bringing out those aspects which are to be used for purpose of comparison.
2. Identify key and benchmark jobs—the most and least important jobs, a job midway between the two extreme, and other at the higher or lower intermediate points.

3. Rank the other jobs around the benchmark jobs until all jobs are placed in their rank order of importance.

4. Divide the ranked jobs into grade by grouping jobs together with common features such as similar duties, skills or ranking requirements.

It is advisable to use the statistical technique of paired comparison. A matrix can be build showing the scores for each job against all the other jobs being ranked.

2. **Job Classification**

This method involves the establishment of job classes or grades. The system was evolved as an improvement over the ranking method. In this system job descriptions and job specifications are widely used.

1. Select representative sample of benchmark jobs covering all the occupations to be included in the scheme.

2. Analysis the jobs and prepare job descriptions.

3. Decide on the number of grades required. (This will depend on the range of responsibility or skills in the job covered by the scheme). For
manual workers it is nor likely to be more than six to eight, and the clerical staff in most firms can be grouped into four to six grades. The number of managerial grades will very according to the size of the firm and the level of salaries at the top.

4. Define each group in terms of discernible differences in skill and responsibility.

5. Slot each benchmark job into a grade with reference to the job and grade description.

6. Grade the other jobs and grade descriptions.

Alternatively, one may start a job classification exercise from a predetermined grading scheme. In this case, it is necessary to prepare job description and place the jobs into the grade.

The main problem with job classification system is that one cannot deal with complex jobs which will not fit nearly into one grade. They are less useful for more senior jobs where the descriptions are so generalized that they did not provide much help in evaluating borderline cases.

3. **Point Rating**

The point rating scheme is based on analysis of separately defined characteristic or factors which are assumed to be common to all the jobs. One has to further assume that differences in the extent to which the
characteristics are found in the jobs will measure difference between the levels of the job. When selecting the factor in the point scheme. One should ensure that they are considered the most important in determining their relative degree of difficulty of responsibility.

Steps in points rating scheme-

1. Select a representative sample of bench-mark jobs.

2. Decide on the factor to be used in Analyzing and evaluating the jobs. The aim should be to restrict the number to number then eight or so. The use of two many factors results in over complex scheme with overlap and duplication between factors.

3. Prepare a preliminary definition of each factor and divide it into degree of level each of which is also defined. It is useful to restrict the number of levels to five to six.

4. Analyze each bench-mark job in terms of the factors and decide on the degree to which each factor is present by the reference of to the preliminary definitions of the factor degrees.

5. Decide on the weight to be attached to the factor (total points value.).

6. Redefined the factor definition and points score in the light of the result of step 4 and step 5 to produce the final scheme.
The golden rule in choosing a scheme is to go for the simplest approach first and reject it only if the complexity of the situation on the need to impress everyone demands a more complicated method. All job evaluation is largely subjective when it comes to making final judgments.

<table>
<thead>
<tr>
<th>Job</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>T. Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>-</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>B</td>
<td>2</td>
<td>-</td>
<td>0</td>
<td>2</td>
<td>2</td>
<td>6</td>
</tr>
<tr>
<td>C</td>
<td>2</td>
<td>2</td>
<td>-</td>
<td>2</td>
<td>2</td>
<td>8</td>
</tr>
<tr>
<td>D</td>
<td>1</td>
<td>0</td>
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<td>E</td>
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<td>0</td>
<td>1</td>
<td>-</td>
<td>1</td>
</tr>
</tbody>
</table>

In this example, job A is compared with jobs B to E. It is considered to be less important than job B and C and received no points in both cases; equally important to job D and received one point and more important than job E and received two points. The total score is three. The same procedure is adopted for jobs B to E. The lighter the score the lighter the rank.

The main disadvantage of ranking method is that there are not definite standards of judgment and there is no way of measuring the differences between jobs.
4. **Factors comparison system**

(An application of the person to person system of merit rating of job evaluation.) It is the process of comparing the important job factors and allocate the wage rate among the various factors. According to Flippo "It is a refinement of simple ranking in that comparisons are accomplished job to job, rather than as whole jobs. Instead of using money values today, most firms convert the dollar amounts into points to avoid adjusting the scales to charging price and wage levels". Seven important steps are followed:

1. Select job factors, 2. Select Key jobs, 3. Determine Correct rate of key jobs, 4. Rank Key under each job factors, 5. allocate the correct rate of each key job among the job factors, 6. Evaluate all other jobs in terms of these factors yardsticks, 6. Design, adjust and operate the wage structure.

5.9 **LEGISLATIVE MEASURES**

(LEGALISTIC APPROACH TO HARMONISE INDUSTRIAL RELATIONS)

(A) **Introduction**

Labour legislation is one of the most important institution of modern society. Its origin and growth may be ascribed to several social forces, the most important of which is the development of organised industry, where a considerable number of men, women and children are employed under
conditions which tend to be detrimental to their healthy, safety and welfare and against which they are often unable to protect themselves.

Labour problem constituted a serious menace to the society, and needed solution, if not to eradicate then at least to mitigate them in the very beginning. And for this purpose Labour Legislation in any country should be based on the principles of social justice, social equity, international uniformity and national economy.

Social justice implies two things first equitable distribution of profits and other benefits of industry between industry owner and workers. Secondly, providing protection to the workers against harmful effects to their health, safety and morality. Social justice does not mean doing every thing for the welfare of labour to the utter disregard of the employer.

The concept of social security is based on ideal human dignity and social justice. Social security measures are significant from two viewpoints. First they constitute an important step towards the goal of a welfare state. Secondly they enable workers to become more efficient and thus reduce wastage arising from industrial disputes.

According to the report of National Commission on Labour-Social Security has become a fact of life and these measures have introduced an element of stability and protection in the midst of the stresses and strains of modern life. It is a major aspect of public policy today and the extent of its
prevailence is a measure of the progress made by a country towards the ideal of a welfare state. It is an incentive for development; substituting as it does, hope for fear in the process improving the efficiency of the working force.

Workers are the dominant partners in the industrial undertaking and without their cooperation and good work, discipline, integrity and character, the industry will not be able to produce effective results or profits and it will adversely affect the industrial harmony.

The Govt. and management fully understand the labour psychology and a change in their outlook and attitude is desired to secure the industrial peace.

Nothing should be done under threat or coercion but on a clear understanding that whatever is good and is due to the labour must be given. Industry owners should treat the workers as co-partners. Similarly "Workers in the country must fully realise that if they desire to secure their due place in the industrial economy of the country they must think more in terms of responsibilities and duties and not interpret independence for impertinence and liberty for licensee.

In India a number of labour legislation have been enacted to promote the condition of the labour, keeping in view the development of Industry and National economy. These legislations protect employees and workers and also dictate directions to keep industrial peace. The legislative measures are-
(B) The Factories Act, 1948

The factories Act, 1948, provides for the health, safety, welfare and other aspects of workers in factories. The act is enforced by the State Govt. through their factory inspectorates. The Act also empowers the State Govt. to frame rules, so that the local conditions prevailing in the state are appropriately reflected in the enforcement. Provisions have also been made for the workers' participation in safety management.

(C) Trade Unions Act, 1926

Trade Unions are organisations of workers, which work for the maintenance and enhancement of their economic status and improvement in working conditions along with other facilities and benefits. This Act also defines the rights and duties of its members and its application with management within the legal framework.

(D) The Workmen's Compensations Act, 1923

The growing complexity of industry in this country, with the increasing use of machinery and consequent danger to workmen, along with the comparative poverty of the workmen themselves renders it advisable that they should be protected as far as possible, from hardship arising from accidents. A legislation of this kind helps to reduce the number of accidents in a manner that cannot be achieved by official inspection, and to mitigate
the effect of accidents by provision for suitable medical treatment, thereby making industry more attractive to labour and increasing its efficiency.

(E) **Industrial Disputes Act, 1947**

The object of the Industrial legislation in general is industrial peace and economic justice. It depends on harmonious relationship between the labour and management. Therefore, every industrial relations legislation necessarily aims at providing conditions congenial to the industrial peace. The object of the act as laid down in the preamble of the Act is to make provision for the investigation and settlement of industrial disputes, the promotion of measures for securing amity and good relations, the prevention of illegal strike and lockouts, relief to workmen in the matter of lay-off, retrenchment and closure of an undertaking and collective bargaining.

(F) **Employees Provident Funds and Family Pension Fund Act, 1952**

The object of the employees provident funds act is to provide for the institution of funds for employees in factories and other establishments. The principal duty is laid upon the employer to put the Provident Fund Scheme into operation and to make contributions of both the employer's and employee's share. Family pensions schemes ensures the economic support to the family after the retirement/death of the employees.
(G) **The Employees State Insurance Act, 1948**

Many social security schemes have been introduced in our country. The Employees State Insurance Act was first of such measures adopted in India to provide for social insurance to the labourers. The Act provides for certain benefits to employees in case of sickness, maternity and employment injury and for certain other matters in relations thereto.

(H) **The Minimum Wages Act, 1948**

The object of the Act is directed against exploitation of the ignorant, less organised and less privileged member of the society by the capitalists. This Act has been enacted to secure the welfare of the workers in a competitive market by providing for a minimum limit of wages in certain employments. The justification of statutory fixation of minimum wages is obvious. Such provisions which exist in more advanced countries are even necessary in India, where worker's organizations are yet poorly developed and the workers bargain power is consequently poor.

(I) **Others**

Apart from above Acts, some Acts are also in practice which provides legal guide lines/directions for the smooth running of the Industries and harmonizing industrial relations.
These are:-


