ANNEXURE - III

SUMMARY OF WAGE STUDIES
PRODUCTIVITY WAGE RELATIONSHIP IN INDUSTRIAL SECTOR (29)

(a) Productivity at current prices increased by more than 433% over the period of 1961 to 1979-80 but it increased only by 49% at constant prices. Wages on the other hand increased by over 350% at current prices and by 34% at constant prices. As a consequence, the share of wages in valued added declined by over 40% at current prices and by 10% at constant prices.

(b) There were considerable inter-industry and inter-state variations in productivity for 1961 and 1979-80. In 1991, for instance, the industry groups with higher productivity levels included products of petroleum and coal; rubber products; electrical machinery; and basic metals. Nearly two decades later, the higher productivity industries remained similar. These were chemical and chemical products; rubber, plastics, petroleum and coal products; electrical machinery; and machinery other than electrical machinery. The inter-state variation in productivity was also indicated by the data. In 1961 the states with higher productivity levels included Himachal Pradesh, Orissa, Assam and Bihar. Similar in 1979-80, the high productivity states were Himachal Pradesh, Tripura and Manipur, Maharashtra and Haryana.

(c) The average wage too had varied across industries. For example, in 1961 the high wage industries included petroleum products, rubber products, basic metal industries and manufacture of transport equipment. At the same time, the low wage industries were, tobacco manufacturem food and beverages, wood and cork and footwear etc. A similar picture had emerged for the year 1979-80. While the following industries were characterized by high wages, viz., basic metal equipment, chemical products, and textile products.
Regional variations were substantial. In 1961, Bihar, Delhi, Maharashtra, Tripura, Kerala, Jammu & Kashmir, and Andhra Pradesh were low wage paying regions. By wage regions were: Bihar, Orrisa, Maharashtra and West Bengal. The low wage region included: Tripura, Manipur, Assam, Andhra Pradesh, and Jammu & Kashmir. The empirical evidence presented above suggested that:

(a) Both productivity and wages have appreciably increased over the past two decades. However, the rate of increase in productivity has been faster than the rate of increase in wages.

(b) The two variables productivity and wages seem to influence each other. Thus, the interlinking takes the form of "Productivity - wage-productivity".

(c) While productivity of labour is influenced by wages, it is uncertain whether incentive payment systems have actually led to increase in productivity.

Based on a time series data between 1961-62 and 1975-76, it was concluded that in the case of Indian Mining Sector that the labour costs (wages) has been increasing at a substantial rate without any corresponding improvement in labour productivity. Another study in the context of Indian manufacturing found that wages and salary rate impact positively on Productivity (30)

A review of some of the schemes came to the conclusion that in recent years wage - productivity linkage has been a reality in several public sector organisations. Some of them were found to be highly innovative. However, the study warned that it is important that the base of measuring overall performance should not be too large. "In an all
India organisation having different regional divisions or product divisions spread throughout the country, instead of linking the incentive component of the wage to the performance of whole organisation, it would be better to relate it with the performance of the Division or Branch as the employers can more easily comprehend the impact of his own performance on the performance of the Branch or Division than that of the All India Organisations" observes the study.

The wider context within which wage-productivity linkages should be approached could be formulated as the following "The pay systems in an enterprise should have the quality of being rational and equitable. To be rational - is to attract and retain the employees with varying skills - encourage workers to perform better - to be equitable, it is necessary that the remuneration received by the workers is perceived by them as proportionate to their contributions - sharing the gains of productivity should be regarded more as a philosophy of industrial relations than as a statistical technique or a mathematical formula of distributing the gains".

To create an understanding about problems, issues and approaches for linking wage with productivity, National Tripartite Seminar on the subject was organised in November, 1988. About 250 delegates, representing organisations from private and public sector, professionals, and employee organisations participated in the deliberations. Experts of U.S.A., Japan, ILO, U.S.S.R. in addition to India provided inputs on various themes. The tone and tenor of discussions seemingly ratified the above summarised trend of development of linking of wages and productivity.

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