CHAPTER IV

COMPENSATION OF PERSONNEL

A committed labour force well trained and developed in their respective fields is one of the best guarantees for evolving a sound relationship between the labour and the management. It not only guarantees overall development of the employees which is a must in the present day world, but also ensures greater efficiency and productivity.

However, best of the trained persons may fail to deliver the goods if they are not backed by a suitable wage policy. Wage forms the greatest motivating force and as such should be carefully defined and devised. The pages that follow are devoted to this problem in detail.

SIGNIFICANCE OF WAGES:

Determination of monetary compensation is one of the most important and difficult functions of personnel department in all enterprises. Its importance is evident from the fact that a majority of union-management problems and disputes involving loss of millions of man-days relate to the question of monetary compensation. Wages and salaries are often one of the largest components of cost of production and as such have serious implications for the
survival, growth and profitability of the concern. Compensation constitutes to be the strongest driving force, wages is the pivot around which several other labour problems rotate and more disputes and complications arise about wages than any other issue in the labour - management relations.1 Some people disagree, that wage is the only attracting force in any employment. They argue that the worker not only works for monetary consideration but for non-monetary considerations also. It may be true with highly developed countries like America but the same is not true to a country like India. The people in highly developed countries are more conscious and their demands not only include fair wages but other non-monetary considerations guide them. But in these countries too, monetary compensation is an important attraction in any occupation. To quote Myers and SHULTZ:

"Fair - wages are still important to most employees, despite, 'morale studies' which show wages are fifth or sixth in a scale of job satisfaction. If wages or salaries are adequate, other needs are more important; if wages or salaries are considered inadequate or unfair, they tend to become first in importance to workers".2


This conclusion of Myers and Shultz is based on a study of worker job satisfaction in a new England city, following a partial shutdown of a mill in 1948.

The above study reveals that in one or the other way wages and salaries enjoy the dominating position at all times. Although an employee works not for monetary compensation alone, yet the financial consideration does constitute a very important reason for his working.

The price of various factors of production are governed by their demand and supply, but it does not hold true with labour as it can not be treated as a commodity like other factors of production. The determination of labour compensation besides, other factors is governed by human factor. Hence, economic and social needs govern the fixation of wage and salary. The enterprises which cannot adequately compensate their workers have no right to stay in the modern industrial world. The responsibility of Public Sector is greater in this regard than private sector as it has to play the role of a 'model employer'. This responsibility is still greater to the public sector enterprises of the developing economies as the duty of uplifting the mass of workers from their present state of utter poverty, ignorance, illiteracy and poor standard of living lies upon the shoulders of the State. The State of Jammu and Kashmir could not be an exception. Keeping in
view its backwardness, it has to play a special role in the eradication of poverty and upliftment of the downtrodden working class in the absence of any well developed private sector. The State enterprises are to prove as model employers and all possible endeavours should therefore, be made to provide the required adequate compensation to working class. The labour unrest in any State is mainly the result of wage disputes and matters allied to it, like dearness allowance, bonus, gratuity, overtime etc. Hence efforts should be made to device ways and means for combating the problem. With this in view, an attempt has been made in the following pages to examine in detail, the compensation structure of industrial workers in the Public Sector Corporations of the State, and to analyse how far the same conforms to the aspirations of our toiling masses.

STATE WAGE POLICY:

'Wage Policy' refers to legislation or government action, undertaken to affect the level or structure of wages, or both for the purpose of achieving specific objectives of social and economic policy. The social objectives of wage policy may aim at eliminating the exceptionally low wages, the establishment of fair standards and the protection of wage earners from the impact of inflationary tendencies; and at increasing the economic
welfare of the community as a whole. Mere existence of a sound wage policy is not enough unless it is backed by effective implementation. Although, the Constitution of India assures that the States shall try to secure a living wage and equal pay for equal work, yet unfortunately in actual practice this objective has not been achieved. What is in fact happening is shocking and in no way in tune with the spirit of our Constitution. The wage policy and its determination in India is influenced and guided by various forces such as tripartite machinery of government, management and union representatives, union's demands, demand and supply of labour, management policies, wage boards, committees, tribunals and courts. The establishment of wage policy being the responsibility of the State, has not received any due attention on the part of State Government rendering the wage structure as unsystematic and irrational one. Hence, wage fixation remained to be guided by the rule of thumb. Wages in the Public Enterprises of the State, were fixed arbitrarily in utter disregard to the industry and to the workers. Rule of thumb being the deciding factor


invoked strong protests from management and labour both.

In its memorandum submitted to the National Commission on Labour, the Managing Director Jammu and Kashmir Minerals Ltd. reported:

"Wage increase is quite often announced by the authorities without any examination of the capacity of industries in the State to pay the same. This leads to serious financial burden to industries as the labourers invariably claim whatever increase is announced by the Government. Any increase in wages should normally be based on objective considerations and should be a matter of negotiation between the employer and the employees."\(^5\)

The above observations reflect that the Government announced wage increase itself in utter disregard to the capacity of industry to pay. This left management to an embarrassing position. They have thus demanded a scientific wage policy based on objective considerations.

The employees do not like arbitrary wage fixation policy. They also demand scientific wage policy based on objectives, or rise in the living index and negotiations. However, it was heartening to note, that the Government of Jammu and Kashmir having realised the need and importance of a scientific wage policy came out for the first time in 1951, when basic wages of workers of Public Sector Enterprises were fixed. This was the first

ever-taken step by the State Government and thus be taken as the beginning towards realization of pronouncing a policy of wage fixation in the Public Sector Enterprises. Prior to this, it was supplemented by ad-hoc doses of dearness allowance. The basic wages not only remained heterogeneous in different establishments but were so in different units of the same establishment. Hence, it gave rise to nepotism and favouritism. The 'rule of thumb' approach defeated the very spirit of 'International Labour Organisation's, conventions/recommendations which believed in equal wages for work of equal value. The regular increase in daily allowance further distorted the wage and salary structure by bringing in its wake a number of undesirable practices. As a result of this, daily allowance was paid even to a piece rated worker who never turned up for work.\(^6\) The daily allowance component almost became a kind of a minimum guaranteed wage under unwarranted conditions. It reflected confused thinking of the government as also the motivations of the rulers.\(^7\) This policy earned a lot of criticism from

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all the concerned. However, it is a matter of satisfaction to note that the government became conscious of the fact of setting up a committee to review the whole wage structure. Accordingly, therefore, the establishment of wage committee in December, 1972 opened a new chapter in the State Wage Policy. Following the recommendations of the Industrial Wage Committee in 1973, the wage rates of industrial workers were increased. The worker became entitled for a paid rest day after serving for full six days in a week for the first time. As a result of the concessions declared, every unskilled worker got a flat payment of Rs. 5.00 per rest day whatever, be his rate of payment. This provided the benefit of Rs. 20.00 per month to the worker who has worked 26 days on an average in a month. On the other hand a skilled workman used to get a flat rate of Rs. 20/- per month without any regard to the number of days worked. It is gratifying to note that after 1977 government discontinued the practice of extension of dearness allowance granted to government servants to the employees of Public Sector Enterprises. This was done keeping in view the rationale.

of Public Sector. The Government pleaded that wages of industrial workers must commensurate with the industrial efficiency. Accordingly, the wage hike declared by State Government in 1977 was not extended to industrial employees. Instead an interim relief of Rs. 30/- per month was granted from 1st April, 1979 at the persistent demand of labour leaders. Besides, Government set up Wage Review Committee through government order No: 102-Gen/79 dated 3rd March, 1979. The Committee was required to have an extensive study of the entire wage and salary structure of industrial concerns in the State based on scientific and rational wage policy.

WAGE LEGISLATION:

One of the most peculiar characteristic of State Wage Policy was that no set law existed for regulating fixation of wages to the industrial workers. The despotic as well as democratic rulers seemed to be in league with each other on this issue. It depicted their indifferent attitude towards labour. Even after 1947, no due attention was paid to this problem, despite persistent demands of the

labour unions and verbal promises of rulers. However, it is a matter of satisfaction to note that the year 1956 brought in its wake a piece of wage legislation in the State known as Jammu and Kashmir Payment of Wages Act. The Act was aimed at removing chances of labour exploitation at the hands of their employers.

JAMMU AND KASHMIR PAYMENT OF WAGES ACT, 1956:

The Jammu and Kashmir Payment of Wages Act passed in 1956 is the first piece of legislation on the subject of wages. But it was only in the year 1961, that the rules in this regard were framed. In the same year the Act was amended to bring it at par with the Central Wage Act. The amendment widened its scope and brought new establishments under its purview. The Act aims at regulating the wage payment to classes of persons employed by industrial concerns who draw on an average less than Rs. 400/- a month. The Act provides for date of payment of wages and deductions from wages whether as fine or otherwise.

Besides, the Act also regulates the fixation of wage period and is even applicable even to such establishments as boats, forests and construction workers etc. 10

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It is unfortunate to find that this Act has remained a mere piece of legislation as only Public Sector Units of manufacturing nature have been abiding by its provisions. The private industrial concerns do not take care about the provisions of this Act. The inclusion of boats and forests and construction workers seems to be a joke with them in absence of any well-designed law-implementing machinery. Labour Commissioner's office was entrusted with the powers of execution but it is shocking enough that it honours the provisions of this Act by committing breach rather than doing any tangible service. A glaring example to illustrate this shows that the construction and forest workers coming under the purview of this Act never got any benefit as the construction and forest businesses mainly lie in the private hands. These workers are never paid in time even after putting more than a month's labour and in many cases the contractors deduct wages on the pretext of losses. However, the recent trend shows that the constructional workers have become conscious and the practice of submitting labour claims to Labour Commissioner are taking place. The need of the hour is the quick settlement of these claims to discourage non-compliance of the Act.

MINIMUM WAGES ACT:

After legislating the Jammu and Kashmir Payment of Wages Act in 1956, the State Government did not attempt any
further legislation in this regard, which clearly speaks of its callous attitude towards the workers. This maltreatment at the hands of government worsened the workers economic position as they could not protect their wages. It was only in September, 1971, that the Government of Jammu and Kashmir extended the thirteen Central Labour Acts to the State. Minimum Wages Act of 1948 was one among them. The late introduction of these Acts indicates the state of sufferings on the part of industrial workers which they faced due to the denial of the benefits available under the Act for the last twenty four years of independence proved no less than a rule of jungle to the industrial workers of the State. It is again deplorable to note that the Minimum Wages Act though introduced at a very late stage is not still being implemented in true spirit as many of the industrial workers are denied the benefits of the Act due to non-availability of effective and efficient machinery. In realization of the fact the State Government issued a notification to see that the Minimum Wages Act which is in force in the State is implemented properly. The State Government has set up a committee to process the whole set up to recommend its proper enforcement. 11

The Payment of Bonus Act, 1965 was brought into force on September 25, 1965. It applied to whole of India except Jammu and Kashmir. The Act was extended to the State in 1971, when 13 Central Labour Acts were introduced. The Act was amended in 1977 and is called the Payment of Bonus (Amendment) Act, 1977. Bonus under statutory regulations used to be paid to the employees of Public Sector in two equal instalments at the time of Id-ul-Fiter and Id-ul-Zuha. But certain major State Public Sector Corporations including the Jammu and Kashmir Industries Ltd., the Jammu and Kashmir Minerals Ltd., Jammu and Kashmir State Industrial Development Corporation and Jammu and Kashmir Handicrafts (S&E) Corporation resorted to Section 36 of the Bonus Act and applied for grant of exemption from payment of bonus. The section 36 of the Act reads as under:

"If the appropriate Government having regard to the financial position and other relevant circumstances of any establishment is of the opinion that it will not be in public interest to apply all or any provisions of this Act thereto, it may by notification in the official gazette except for such period as may be specified therein and subject to such conditions as it may think fit to impose, exempt such establishment or class of establishments from all or any of the provisions of the Act."

The Section 36 of the Bonus Act provided a pretext to the State Public Sector to stop payment of bonus. In
this connection it is worth recalling, that the financial
viability of the Public Sector is not purely the result of
labour problems but other factors and agencies are responsible
for it. Hence, applying for exemption under section 36 is
unjust and unsound. The State Public Sector Corporations did
stop payment of bonus on the pretext of unsound financial
position during 1976-78. But it was again restored, after
labour agitation against the decision. The workers working
in private sector are mostly denied this facility. Hence, it
is recommended that enforcing authority be asked to see that
the Act is rigorously implemented in spirit wherever it is
applicable.

From the foregoing discussion, it becomes clear that
State did not have any clearcut rational wage policy. The
developments which were taking place in the field of labour
upliftment at the centre and State levels left our State
untouched. Thus, even under the democratic set up, the
employers got a long rope to carry on their ill-designs,
which otherwise, the wage legislation seeks to remove. As
a consequence, workers got dejected and frustrated, thus
compelling them to fight through democratic means to achieve
their ends.

Wages are also fixed through a policy of dialogue
between the representatives of workers, employers and the
State. For this purpose bipartite, tripartite or even the
government orders are formulated and issued which go into
whole problem of reviewing the question of wage structure.
Against this backdrop it would be interesting to examine
the role of the Government in this behalf.

**INDUSTRIAL WAGE COMMITTEE:**

The appointment of Industrial Wage Committee is a
first rational and scientific exercise on the part of
Government to look into the wage structure of industrial
workers of the Public Sector Enterprises in the State. This
step should have been taken long back. Though late, it
still, is a pointer towards right direction. The
establishment of the Committee opened a new chapter in the
industrial relations in the State. The formation of the
Industrial Wage Committee was announced in December 1972.
It was a four member committee, headed by Shri N. N.
Chatterjee, Senior professor Indian Institute of Management,
Calcutta. The composition of Committee gave an impression
of its being tripartite in character, but actually it was
a Committee of experts engaged in an objective and
scientific study of rationalization of wage structure.
Labour representative's participation was just in the
capacity of an expert rather than to represent workers
interests.

The terms of its reference clearly show that Committee's
functions were not unlimited and as such it was not to
function as a Wage Board, making series of awards or as
a negotiating body coming to agreements with labour and management. 11

The committee was subjected to review the following and recommend suggestions giving due weightage to the economic conditions of the State, developmental requirements, existing wage level and profitability of the industries:-

a) "To review the existing wage structure of Industrial workers including salary structure of staff actually engaged on production in the State Public Sector Enterprises and Government Undertakings in order to rationalize the structure and link it with productivity as far as possible;

b) to recommend the industries for inclusion in the schedule of Minimum Wage Act and

c) to propose minimum wages for each schedule and recommended industry." 12

The terms of reference clearly show that the committee was required to cover all types of employees in Public Sector Enterprises and Government Undertakings. However, Committee was not required to touch work charged personnel and purely casual labour. The object of the committee was to review the existing wage and salary structure of all workers with a view to remove


inconsistencies and anomalies and to provide adequate wage differentials, effective incentive schemes and linking the whole wage structure to productivity concept. With this in view the committee reviewed the entire existing wage structure and concluded the following:

FINDINGS OF THE COMMITTEE:

I  That great distortion is prevailing in the wage and salary structure of workers of the Public Sector Enterprises.

II  The distortion is the result of growing components of daily allowances.

III  The dearness allowance component exceeds the basic wages in lower rated jobs.

IV  That daily allowance component has become a kind of minimum guaranteed wage.

V  That external and internal consistency in wage is lacking in the Public Sector Enterprises.

VI  That no incentive schemes excepting piece rate wage is in vogue.

VII  That wage and salary cost as a percentage of the total cost of production or total expenditure varies from 7.45 percent to as high as 37.63 percent.

VIII  That the rise in the cost of production is due to:
a) obsolescent or obsolete machinery some of which appears to be almost museum pieces.

b) Inadequate and non-availability of raw materials.

c) Frequent power cuts.

d) Lack of delegation of decision making powers causing wasteful hold-ups in production or marketing.

e) The existence of a surplus labour force.

f) Low level of compensation for managerial personnel.  

The defective wage structure of industrial workers of the Public Sector Industries has been very beautifully exposed by the Industrial Wage Committee. It has been made clear that the entire wage structure has irrational and unscientific basis. This has helped the deterioration of harmonious labour management relation. The industrial climate being very sensitive cannot afford such irritants. Moreover, the goal of socialistic pattern of society will remain unrealized till the time labour is not given its rightful place in society. Every prudent government should aim at improving lot of the labour by removing the anomalies in wage structure. Viewed in this background, the Industrial Wage Committee has sought to remove these

irrationalities, by evolving a scientific wage structure. Accordingly, following norms and principles have been recommended for fixing the wage of the workers of Public Sector Enterprises.

**Dearness Allowance:**

The Industrial Wage Committee recommended the merger of dearness allowance with the basic wage as it was held, that distortion in the wage structure is the direct outcome of the growing component of the dearness allowance. The wage structure should be flexible and must move with the times. The committee suggested that price hikes can be neutralized by resorting to price controls and distribution of subsidized essential commodities. However, price control and distribution of subsidized goods have not succeeded in offsetting the effects of sharp price rise. The Committee also recommended that in case of 5 percent increase in the consumer price Index No: it should be followed by an additional increase in D.A. as a separate element in wages exists only in India, Pakistan, Sri Lanka and Japan while in rest of the industrial world, wage revisions are resorted to in case of rise in the cost of living. The Committee also recommended suitable adjustments in incremental structure for the benefit of salaried employees.
INTRODUCTION OF INCENTIVE SCHEMES:

The purpose of paying financial incentives over and above the basic pay is to induce a worker to put greater efforts to increase production. The increase in output and profit should be accompanied by wage increase if the process is to continue. The objective of various incentive schemes is to link higher productivity with increased pay. It is unfortunate to note that the concept of incentive schemes has not found any favour in the industrial set up of the state. Consequently the production did not increase. However, it is a pleasure to observe, that some Public Sector Units did allow certain incentive schemes to operate but some of them have been withdrawn since, due to reasons best known to management. The Industrial Wage Committee strongly recommended the introduction of incentive schemes. To make them scientific it was further recommended that these be linked with recognised concepts like standard wage, normal wage, fall back wage and minimum guaranteed wage. 14

However, in the present set up these would be difficult to determine and would only throw the whole question into the cold storage. Hence, principle of linking

and fixing wages with productivity should be tried.

**WAGE DIFFERENTIALS:**

In the Public Sector Enterprises, the wage fixation is guided by personal considerations, favouritism, nepotism etc. This has made the whole structure irrational and unscientific. To rationalize the system, the Industrial Wage Committee suggested that the discretionary contents of the jobs be carefully assessed along with such factors as training requirements, hazards, arduousness of work etc. While fixing wage differentials on these norms following factors may also be taken into account:

I. Working conditions;
II. Chances of promotion;
III. Seniority;
IV. Family size;
V. Personal integrity and responsibility;
VI. Work load;
VII. Social Security benefits;
VIII. Social and recreational facilities.  

The availability of these factors give the workers added benefits and the lack of it deprive them of such

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benefits. The sense of deprivation can be compensated, to a large extent by fixing wage differentials suitably. However, care should be taken to avoid big gaps in the wage structure.

MINIMUM WAGES:

The Committee was required to propose the minimum wage for each scheduled industry and to recommend new industries to be included in the schedule of Minimum Wages Act. The Committee did not favour the adoption of a regional minimum wage for three different regions of the State. In the opinion of the scholar, it is not realistic approach, as the three different regions have peculiar features with varying standards of living. While Jammu is at an advantageous position, Ladakh and valley are comparatively at a disadvantageous position. Winter further adds valley's hardships which strengthens the idea of regional-minimum wage. Even the National Commission on Labour has accepted the idea of a regional wage, and has rightly said, "it may be possible, however, that in different homogeneous regions in each State, regional minima, seem to be called for, in view of the wide variations in the rates of minimum wages fixed under the Act, even within a small geographical region. An effort should be made to fix such regional minima." 16

Social justice and not the ply of market forces is the most important consideration in determination of basic minimum wage. What may be called the minimum wage is the standard which has been fixed by the Committee on Fair Wages. "We consider that the minimum wage must provide not merely for the bare sustenance of life but for the preservation of the efficiency of the workers. For this purpose the minimum wage must also provide for some measures of education, medical requirements and other amenities." 17

The Industrial Wage Committee did not agree to the demand of the labour for a need-based-wage especially, at the prevailing state of affairs of the Public Sector Enterprises which are mostly losing concerns. This suggestion of the Committee appears strange. It has calculated the cost of minimum need based wage but did not recommend its payment due to financial strain. It is in no way workers fault, hence to penalise them is an unpardoned sin.

NEW INDUSTRIES OF EMPLOYMENTS TO BE INCLUDED IN THE SCHEDULE TO THE MINIMUM WAGES ACT

The Committee recommended extention of the Minimum Wages Act to a number of industries like embroidery of all types, wood carving, Namdha manufacture, brick and tile making, shop and commercial employees. It is privilege to

find the inclusion of these industries in the schedule of Minimum Wages Act. However, it is painful to find that these industries being in the private grip has never conceded to these requirements. Hence, these workers are the worst sufferers. The Government should not only pass the law but must see that it is honoured in its true spirit. The labour commissionery which is the enforcing authority in the State, therefore, needs complete overhaul.

**WAGE REVIEW COMMITTEE:**

Immediately, after 1977 elections, the State Government announced a tremendous hike in the allowances of the employees working in the State. These benefits were not extended to the employees working in the Public Sector Units. Obviously, therefore, it created unrest among them and led to protests and labour trouble. However, Government remained adamant and did not yield under pressure. The then Chief Minister categorically denied any type of increase in the wages and salaries of workers of Public Sector Units unless, these show a sign of change regarding their financial position. It was undoubtedly a good commercial approach as the workers working in commercial establishments cannot be treated at par with employees of non-commercial establishments. The decision deserves appreciation as it was for the first time that political repercussions of the
decision were not bothered for. This decision brought some awakening amongst the workers and management. Subsequently, some improvements were witnessed. During this period, the unions continued their struggle for the review. Consequently, Wage Review Committee for Public Sector Enterprises in the State was set up through a Government Order No: 102/Gen/79 dated 3rd March, 1979. It was a ten number Committee, headed by Shri N. Rajan, Joint Secretary, Department of Industrial Development, Government of India, New Delhi. The Labour was represented by the following four members:-

1. Late Mr. G. A. Shounthu;
2. Mr. A. S. Teli;
3. Mr. Ram Lal Sharma;
4. Mr. Madan Lal Sharma.

The Committee was required to review the following and recommend suggestions, keeping in view the economic conditions of the State, requirements of development, existing level of wages and profitability of the industries:-

1. "To review the existing wage structure of industrial workers engaged in production in various state public sector undertakings and other employees of these undertakings with due regard to the productivity, total cost of production of the manufactured products, their marketing and such other factors that are recognised to be relevant to such a review.

2. To evolve a suitable formula for periodic review of the same taking care of increase in the cost of living and other relevant factors." 19

From the terms of reference it is clear that the Committee was required to cover all categories of employees including casual labour. The object of the committee was to review the existing wage and salary structure of all workers with a view to removing inconsistencies, anomalies and distortions and to link over all wage structure to the productivity concept. With this in view, the committee reviewed the prevailing wage and salary structure and came to the following conclusions:

**FINDINGS OF THE COMMITTEE:**

1. That great distortion is prevailing in the wage and salary structure of workers of the Public Sector Enterprises.

2. That workers make frequent demands for payment of D.A. on the same pattern as paid to State

Government employees from time to time.

3. That distortion is the result of irrational increase in daily allowance.

4. That the wages both in the skilled and the unskilled categories vary from corporation to corporation and also within the same corporation for the same type of work, there are large number of wage rates.

5. That the incentive schemes in operation in a few units are not backed by any productivity norms.

6. That there are large number of pay scales and these have witnessed a mushroom growth.

7. That even lower level managers do not carry identical pay scales.

8. That Unit Managers who are over all in charge of the unit in some cases carry lower pay scales than Accounts Officers.

9. That there exists surplus manpower in almost all the units.

10 That there is variation even in the working conditions in different corporations.

11 That the unrest among the locally appointed employees is also due to practice of hiring persons from government departments on deputation.
12. That there is no process of reward or punishment in actual practice.

13. That there is no maintenance of proper personal records.

14. That some of the units are functioning uneconomically due to:
   a) Existence of surplus manpower;
   b) Inadequate supervision;
   c) Absence of cost control;
   d) Improper maintenance of machines;
   e) Disadvantageous location of the plant.

The distortions prevalent in the wage and salary structure of the Public Sector Undertakings has been rightly exposed by the Wage Review Committee. The findings of the committee clearly indicate that the whole wage structure is based on irrational, unscientific and unsound basis. The existence of large number of pay grades and different rates for the same job further adds fuel to the fire. The result is unhealthy labour-management relations. This lends support to workers plea that irrational wage structure is responsible for unhealthy labour management relations. The State being in its infancy in industrial set up can not

afford ill union-management relations. The sound Labour-management relations is of prime importance in the growth process of all nations. Besides, dream of "Naya Kashmir" will remain unrealized if workers are under paid due to no fault of their's. Hence, the Wage Review Committee has examined the wage and salary structure and other allied matters in depth. It has asserted that only a scientific and rational outlook can help in removing the anomalies and irrationalities in the structure. Accordingly, the following recommendations were suggested by the Committee:

**RECOMMENDATIONS OF THE COMMITTEE**

1. **EMOLUMENTS AT THE LOWEST LEVEL:**

In the absence of any strict enforcement of Minimum Wages Act, the task of the committee regarding wage determination was a difficult one. The wage policy for the Public Sector was to be formulated in a way as to take account of the objectives of public enterprises. The recommendation of a wage policy beyond the industry's capacity to pay would become self defeating. Therefore, while formulating a wage policy, the committee had to give a due regard to factors like total productivity, total cost of production of the manufactured goods, their sale etc. It is gratifying to note that the Committee not only studied these particular factors existing in the Public Sector Undertakings but the general situation prevailing in the
State was also given a due thought while recommending a wage structure.

The committee recommended that the minimum emoluments at the level of lowest regular unskilled worker should add up to Rs. 275 per month a nationally worked out on the basis of 30 days of a month and that this should be effective from 1st January 1980, and that it should be linked to the 12 monthly All India Average Consumer Price Index for industrial workers published by the Labour Bureau, Simla with the year 1960 as base. 21

The committee recommended the breaking up of lowest minimum of Rs. 275 per month into two parts - a basic wage and adjustable cost of living allowance. This is a sound recommendation as the bifurcation would enable to differentiate the basic wage component and the adjustable portion for which the terms of reference of the Wage Review Committee require that a suitable formula be devised. The total emoluments of Rs 275 suggested by the committee were broken up into basic wage of Rs. 195 per month i.e. Rs 6.50 per day and a cost of living allowance component of Rs 80 per month i.e. Rs 2.67 per day.

The casual labour used to get a consolidated rate of

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Rs 5/- per day. The committee suggested the continuance of consolidated wage rate for them without any D. A. admissible to them. But the consolidated daily wage at the minimum level for the casual labour was raised to Rs 6/- per day. The Wage Review Committee has done a good social service by recommending the wage increase to the casual labour. This class of workers has suffered too much and were also ignored by the Prestigious Chatterjee Committee. It was recommended that the casual workers in receipt of a higher rate of emoluments for one or the other reasons would continue to draw the same if it is more advantageous to them.

The committee did not favour the grant of D. A. to the industrial workers on the same pattern as paid to state government servants. It is sound suggestion as the wage policy of industrial undertaking must correspond to its capacity to pay.

In case of piece rated workers the committee recommended that detailed work studies should be undertaken with the help of suitable consultancy organisations. For the time being they were granted a 7.50% increase on their rate. The wage rates for piece rated workers will not have any cost of living component and all the previous allowance will stand merged in the total emoluments. The scholar is helpless to find that inspite of the acceptance and implementation of the recommendations of the Committee, no
work studies have been so far conducted for evaluating piece rated workers. No attempt has been made to contact any consultancy organisation in this regard as was suggested by the committee. Hence, the structure again speaks of irrationality. The need of the hour, therefore, is to start work study programmes immediately to avoid irrationality in the structure and unrest among the piece rated workers.

2. COST OF LIVING ALLOWANCE:

Since the distortion in the wage and salary structure is the result of growing dearness allowance component, therefore, D.A. was merged in the basic pay to avoid such anomalies and distortions. From the terms of reference it is clear that establishing a suitable device in place of D.A. was the most crucial task of the committee. The committee was assigned the task of evolving a suitable formula for periodic review of the wage structure taking care of increase in the cost of living and other relative factors. For this purpose the committee bifurcated the total wages into basic wage component and the cost of living allowance component. It is desirable to provide some method of adjusting the cost of living allowance in respect of employees of the corporations by providing a suitable co-relation with the average price index. Any acceptable formula for this purpose should be governed by the capacity to pay of the corporations. In the Public Sector, if wage
increase has an automatic link with the movements in indices, whereas the market situation does not permit price increase of its products, the company would incur losses and it may threaten the closure of the unit. The goals of Public Sector are wider compared to that of private sector. Hence the concept of social justice should get a due place while recommending a wage structure for this sector. To avoid further financial strain on Public Sector Units, the Government must come forward with financial assistance to companies not in a position to bear the additional financial burden. In this connection, the Wage Review Committee has summed up the whole issue as under:

"Here arises a question as has also been urged upon the committee whether the government should come forward to meet such portion of the liability of the companies as may be beyond the reach of their paying capacity in respect of cost of living allowance increases as an alternative to closure of the unit or company. The committee feels till the action programme is drawn up by the companies for profitable working, financial assistance may be afforded to them as a short term measure. This recommendation is influenced by the consideration that the Public Sector Undertakings are acting as tools of social development."22

From the above observation it follows that to support the paying capacity of the Public Sector Corporations through financial assistance by the Government to cope up the financial trouble arising out of addition in the cost of living allowance to the employees is reasonable and a gesture towards social development. The Committee has shown this gesture as a short term measure and in the long run every effort should be made to strengthen the financial position through internal sources otherwise these would be a permanent headache to the Government. The Committee's plea of financial assistance from Government based on the exclusive social responsibility of the State deserves every appreciation as the government can not deviate from this basic responsibility.

After going into pros and cons of various dearness allowance systems and taking into consideration the constraints in adjusting prices of the products and labour arguments for increases in cost of living allowance on the occasions of grant of D.A. by government to its employees, the committee came with a practical suggestion in the shape of an annual adjustment in the cost of living allowance.
The committee recommended a simple method for neutralising any price increase. The periodicity for adjustment shall be once in a year. The basic structure recommended is linked to the average price index of 350 points (which is the index for 1979) shall constitute basis for making adjustments. The comparison should be made with the average price index for 1980, 1981 and so on, on a constant basis. The neutralisation recommended is only in respect of each block of 10 points increase/decrease. The State Planning Department has been recognised as a competent authority to notify the annual average index for 12 months of a particular year beginning from the year 1980 (January to December) for general information of the corporations. Hence, the Public Sector Corporations are relieved of the trouble they would otherwise face in exactly knowing the average index. Besides, it would provide uniformity and co-ordination among various public sector units.

The committee has provided a ready-made table for adjustments in the cost of living allowance arising out of price increase/decrease. The same is given at Appendix IV

A study of Appendix IV reveals that the object of the table is to counter any red tape and provide ready-made material for adjustments when they are due. The table by revealing adjustments for various types of wage and pay rates does avoid every chance of cheating the illiterate and
innocent work force who are usually to fight for their right type of wage adjustment at the time of any increase/decrease in the cost of living.

3. RATIONALISATION OF WAGE STRUCTURE FOR DAILY RATED WORKERS:

The greatest irrationality existed in the wage structure of daily rated work force. There were a large number of wage categories among this class. Some of them enjoy yearly incremental benefits while the same is denied to others. Under the statutory provisions the casual workers are entitled to be converted into regular work force on completion of 180 days of continuous service. On completion of one year's continuous service without any break, they are placed on incremental scales. Yet the scholar has found that the management in most of the cases creates breaches by terminating their services before the deadline is reached. This is because of the callous attitude of management towards workers. It has given rise to nepotism and corruption in Public Sector. Only influential people are allowed to continue without breaks. The future of casual workers, therefore, is governed by the sweet will of the officers and not by any rationale. Thus most desirous favourless cases remain in casual category for years together. It is very unfortunate that Wage Review Committee turned a deaf ear to this genuine human problem, leaving them at the mercy of management.
The wages both in the skilled and unskilled categories varied from Corporation to Corporation and also within the same Corporation for the same type of work. This gave rise to a number of anomalies and rendered wage structure irrational and unscientific. The need of the hour before the Committee, therefore, was to recommend suggestions as would make the structure a rational one. The Committee suggested that bringing of rationality in this category requires a detailed study to bring about the nature and quantum of responsibilities and type of skill involved. Without work study programmes the complete rationality in the structure would remain a dream for ever. The Committee did not itself conduct any work study programme but left it to the management of the Corporations. It is surprising to find that no work study programme was ever conducted by any Corporation inspite of its glaring need. Hence, the structure remains irrational. The Committee cannot be blamed for the lapse as it could not conduct the programmes in a short span but has devolved the responsibility of the same to management. It is, therefore, the duty of the government to see that the corporate management works accordingly. If the recommendations are not implemented in toto these become self defeating. Thus, the Committee did not recommend any new pay scale for daily rated workers but only suggested the cost of living allowance. The cost of living allowance
recommended is Rs. 80/- per month, i.e. Rs. 2.67 per day at the lowest level of Rs. 6.50 per day for regular workers. In case their basic wages increase to Rs. 300/- per month, the cost of living allowance would be Rs. 90/- per month.

4. SALARY SCALES FOR MONTHLY RATED STAFF:

The pay scales for monthly rated staff in the various corporations were more or less identical to those of government pay scales except for some specialized positions. The terms of reference required the revision of the pay scales to delink the same from government pay scales. The committee recommended a new type of pay scales for all the monthly rated staff quite different from that of government employees. It was a first ever deviation from government pattern which was long awaited. It would indeed be anomalous if we recommend the continuance of the existing system and maintenance of the close linkage with the salary structure and allowances in the Government. In any case employment in the corporations is not the same as employment in the State services. The employees of the corporations do not enjoy identical terms and conditions of service in respect of other matters like provident fund, leave, gratuity etc. In case the corporations become profitable, the employees can draw a bonus which in no case is payable to Government Servants. 23 The separate treatment thus

given to employees of Public Enterprises would make them production – conscious which would prove a step towards right direction.

The adoption of Government pay scales by Public Sector Enterprises in the past has given rise to mushroom growth of pay scales. In the managerial cadre alone, there were as many as 24 pay scales ranging from as low a grade as 280-520 to 1300-2250. The grades were not identical in various corporation and even the Managers of the various units within the same corporation with the same quantum of responsibilities used to get different pay scales. Thus creating unrest among the unit heads and adversely effecting their efficiency. Therefore, the committee suggested identical pay scales for the identical job to avoid Irrationalities in the structure. The committee by suggesting the identical pay scales has helped in avoiding the chances of favourtism and nepotism. The committee recommended, that as a result of rationalization of pay scales all incumbents be allowed pay protection.

It is disappointing to find that the most unjust treatment was given to the Accounts Officers drawing higher pay scales than their unit Managers. The committee pleaded

that in the fitness of things it would be advisable to allow higher pay scales to all unit heads. Thus, the Accounts Officers previously drawing higher pay scales than the unit managers were reduced to the lower position. In the opinion of the scholar the Accounts Officers drawing higher pay scales could have easily been transferred to the units headed by Deputy General Managers who carry higher pay scales than the Accounts Officers. The rationalized pay scales thus announced, created disatisfaction among the Accounts Officers who were affected.

To rationalize the wage structure, the committee has recommended a revised scheme of grades for different managerial supervisory, technical, finance and other cadres which are given at Appendix No's: V, VI, VII, VIII, and IX.

The study of the Annexures V to IX depict that the Committee has tried its best to minimise the number of pay scales. Before the implementation of Wage Review Committee Report there were as many as 24 grades for managerial cadre alone. The rationalized scheme has reduced these grades to 7 only. Consequently, the grievence have been reduced if not eliminated. On examining the Annexure No: VIII, it is evident that the committee has encouraged the qualified personnel by recommending advanced increments in their favour which is quite encouraging. With the introduction of new pay scales, the D. A. has been withdrawn and employees
are entitled to cost of living allowance only.

It is interesting to note that the committee has recommended the setting up of a co-ordination committee to eradicate every type of anomaly arising out of the implementation of rationalized pay scales. The committee will act as a clearing house of common problems of various corporations and will in particular introduce a common managerial pool for general management categories so as to enable inter-corporation mobility and thereby exchange of talent and experience for purpose of promotion to higher levels of management. The committee includes the following officers besides the Chief Executive of the corporation whose matters are to be settled:

1. Planning Commissioner;
2. Secretary to Government Industries and Commerce Department.
3. Secretary to Government Finance Department.
4. Managing Director Jammu & Kashmir Industries Ltd.
5. Managing Director State Road Transport Corporation.

The Committee is headed by the Chief Secretary.

It is worth mention that the co-ordination committee met a number of times to settle the problems arising out of the implementation of rationalized pay scales. A number of representations were made to the committee in the individual and collective capacity. It is unfortunate to observe, that no attempt has been made to create a Common management pool, as recommended by the Wage Review Committee.

5. SPECIAL PAYS:

In respect of special pays, it has been recommended to replace the same wherever justified by "out of pocket allowance" without the same qualifying for contribution to contributory provident fund or addition to emoluments for purpose of gratuity or bonus. The payment of special pays was a common feature with public Sector Corporations causing unnecessary financial strains. The payment of special pay was usually made to personnel working with top executives. In most of the cases it was granted as a gesture of favour than a special requirement. The deputies from government working in the head offices of different corporations were always bestowed with this favour creating resentment among local employees. The Wage Review Committee by rejecting

the payment of special pay has helped in removing the irrationalities arising out of it. The payment of special pays can not be denied in case of genuine cases as in the corporate sector such allowance assumes a special significance since the same is granted in lieu of highly arduous nature of duties including those connected with night shifts particularly by those who may be required to be in attendance longer than the normal hours, necessitating a special consideration to compensate them for such duties. The committee has recommended a rationalized out of pocket allowance scheme which is given at Appendix No: X.

A study of Appendix No: X reveals that the special pay have been allowed for a very small number of functionaries and no person other than those mentioned in the appendix will be in any case allowed to draw any special allowance. Hence, the chances of nepotism and favourtism have been removed for ever. Besides the Managing Directors concerned have to clear the individual cases, after he is convinced that the claimant has to regularly work overtime and is required to discharge arduous duties.

6. COMPENSATORY ALLOWANCE:

The committee recommended the continuous of compensatory allowance payable to those working out side the State. Further, it has suggested that the same be reviewed periodically by the co-ordination committee so that
such compensatory allowance and concessions are adequate in the context of local conditions relating to the cities in which they are posted. It is disappointing to find that the co-ordination committee during the several meetings did not touch this point inspite of the repeated representations of those working outside. It is suggested that this problem be solved at the earliest.

7. CONTRACTUAL APPOINTMENTS:

Some of the Public Sector Corporations have recently acquired the services of highly experienced and qualified technical experts. Their emoluments have been decided through negotiations. The committee also recommended the rationalization in their pay scales, without however, contractual appointment terms being disturbed. The contractual appointments can not be disrespected as it was done due to a long felt need. Hence, we need not to bother about their pay scales as they would in no way come in the way of rationalization of pay scales. These people are for a short span of time and have to go after transmitting their know how to regular technical cadre.

8. PAY SCALES OF MANAGING DIRECTORS:

As Managing Directors of various corporations are mostly deputed from government, the Wage Review Committee left rationalization of their pay scales to the pay commission appointed by the State Government for revision of pay scales
of its employees. For, the time being it was recommended, that no Managing Director will carry a pay scale less than what the next below level is credited with. But such level for the time being does not include those appointed on contractual basis. The committee for the time being recommended two pay scales. The highest is the one held by Managing Director of Jammu and Kashmir Cements Ltd. The grades recommended are:

i  
1300-60-1600-80-2000-125-2250

ii  
2250-125-3000

The placement in either of the two grades would be determined by the size of the emoluments which the individual Managing Directors are at present in receipt of. Thus the existing incumbents will be eligible to pay scales of 2250-3000 only where their basic pay and all allowances put together as on 1st January 1980 are not less than the minimum of Rs. 2250 and while refixing their pay in such pay scales, their existing total emoluments will be adjusted in their pay scales to constitute their basic pay. Others will figure in the pay scales of 1300-2250.

The rationalization of pay scales of Managing Directors is troublesome and impossible. The Managing Directors usually come from Government and they are frequently transferred. The people from All India Services and State Services come frequently to occupy these position. They

bring with them the problems regarding pay scale. It would be rationale to depute a person drawing a maximum of pay scale and possessing higher administrative capabilities. The people from State Services should not be deputed to these prestigious corporations as they lack administrative skill compared to people from Central Services. It has been found that certain corporations are left to mercy of most junior officers of State cadre. If due to any reason, the State cadre is required to be deputed to these corporation, care should be taken that only senior people with expertise and brilliant records are selected.

It may be concluded that the Wage Review Committee has done a very fruitful service to the Public Sector Enterprises by rationalizing the wage structure of its employees. It has done away with the crucial problem of dearness allowance by devising the formula of cost of living allowance.

The recommendations of the Wage Review Committee were accepted by the Government. These recommendations serve as a base of labour management relations in the State. The Government has shown gesture by accepting the recommendation of cost of living allowance as a permanent feature of wage and salary structure. Thus, giving up the most unscientific and irrational feature of dearness allowance which has rendered the system most irrational.
Accordingly, the State Government passed orders for release of additional amount of cost of living allowance to the employees of Public Sector necessitated by the increase in price index. The latest dose of cost of living allowance was released to workers from 1st January, 1984. The same is given at Annexure No: XI.

**CONCLUSIONS:**

From the above discussion it clearly follows that wage structure in the State was based on unscientific, irrational, crude principles and self conceived traditions. Hence, the system gave rise to many undesirable practices in the shape of nepotism, favouritism and corruption etc.

Since absolute industrial peace is the prerequisite for all economic progress, it is but essential to remove all those irritants which disturb the industrial climate. In this connection a suitably devised monetary compensation plan is destined to play a significant role. An irrational policy of wages create more tensions than any other problem connected with the labour. Hence, there is an urgent need to fix wages scientifically to the best possible satisfaction of workers. Wages being reward for labour must be commensurate with his requirements. This in turn can ensure

greater efficiency and productivity. For doing this exercise the entire responsibility devolves upon the State, which is the custodian of the people's interest. Following the realization of this fact the State has now been actively considering this whole question. This is obvious from the fact that two committees namely, Industrial Wage Committee and the Wage Review Committee were set up in December 1972 and March, 1979, to revise the wage structure and recommend positive measures for removing the distortions as well as anomalies.

The gesture of the Government to accept in toto the recommendations of Wage Review Committee and the subsequent Government Orders in conformity to these recommendations deserve a special applause. The Wage Review Committee opened a new chapter in the history of Management of Personnel in the State. The Committee's recommendations have far-reaching effects and if implemented with the genuine goodwill will go a long way in reshaping the whole system of management of personnel.

Since the concept of management of personnel is passing through an evolutionary stage, efforts should, therefore, be made to mould the system on well defined principles. Experience gained in the past could serve a best guide in formulating policies of personnel management.
With a view, of taking the stock of the existing position in respect of personnel policies in the State Units, a case study of one unit namely, Government Silk Weaving Factory, Rajbagh, Srinagar has been made in the chapter that follows.