The change from the philosophy of market determined wage to that of wage regulation and wage policy during the last half-century has led to the evolution of a number of criteria for the fixation and revision of wages. These criteria have been examined and re-examined from the viewpoint of their rationality and applicability but the debate has been far from conclusive. The problem has been further complicated by erosion in the value of a given money wage due to steep rise in prices, particularly in countries like India where the wages are hardly above the subsistence level. Adjustment in wage levels to prevent a significant decline in real wages has, therefore, been the major issue on the wages front in the Indian Industries during the last over three decades. The mechanism which has been commonly used in the organised industries is that of paying dearness allowance; and, due to a steeply rising trend in prices during the period, this component has been rising and has become a major part of the workers' earnings.

Basically, the Dearness Allowance system aims at compensating the workers against the rise in their cost of living and, therefore, an examination of the extent to which it has succeeded in protecting real wages against the rise in prices, has obvious significance.
Besides, it is also pertinent to examine the inter-
relationship of Dearness Allowance with productivity, 
skill formation, industry's financial health and 
product prices with a view to assessing the validity 
of various arguments often advanced on these bases 
for or against a Dearness Allowance revision. This 
examination can also help in evolving an alternative 
system of wage adjustments which could ensure increase 
in productivity, induce skill formation and provide a 
fair share to workers in increasing productivity. It 
is these aspects that the present study focusses on, 
on the basis of the data relating to the cotton 
textile industry, particularly, of Ahmedabad.

Dr. T.S. Papola, currently Professor of 
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