CHAPTER 14

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'Wage policy' means the formulation and adoption of a set of principles in order to guide the wage movements for the realisation of certain desirable social and economic ends. Hence, wage policy ought to be considered as one of the strategic policies of any nation.

An effective wage policy should evolve a wage structure conducive to socio-economic development. The primary goal should be to minimise the conflicts between labour and capital. It should stimulate a peaceful and cordial industrial atmosphere essential to greater productivity. In order to achieve such objectives an effective wage determining machinery is inevitable.
At all times 'wages' was considered as the payment in return for the work or service rendered by an employed person. However depending on the policy behind various labour legislation the statutory definition varied. It is not feasible to arrive at a single definition of the term 'wages' applicable to all situations. But too many varied definitions would give room for ambiguity and complexity. Therefore, an attempt could be made for the integration of those enactments which cover subjects having a common objective. If such an integration is found difficult, for those enactments which have a common objective, a common definition of wages should be formulated.

The wage packet often comprises of components like basic wage, dearness allowance and other allowances. 'Wages' paid to an employee should be sufficient to maintain and improve his standard of living. The primary goal of wage policy should be the promotion of the economic development of the worker. However the present wage system does not fulfil this goal. Empirical study conducted in some selected establishments reveals that the general standard of living of workers is very low and their savings practically nil.
Owing to the increase in prices, the purchasing power of money decreases. This is sought to be met by payment of dearness allowance. However, full neutralisation is given only to the lowest category of wage earners. Different systems for the payment of dearness allowance exists, such as the flat-rate system, wage-linked slab system and the value per index point system. However for administrative simplicity the system of value per index point based on the principle of distributive justice, seems to be the most appropriate. It would be appropriate to pay the same dearness allowance to all employees of an employer, drawing the same wages. But it may not be possible, due to various practical difficulties, to pay dearness allowance at the same rate to all employees with the same basic wage, engaged by different employers.

Payment of dearness allowance in an increased scale, year after year, may lead to a ridiculous situation where dearness allowance becomes more than the basic wage. The traditional method by which this difficulty is overcome is to merge dearness allowance with basic pay at a point from which prices are not likely to fall. This process will make the basic wage more realistic.
Social justice demands benevolence and mutual kindness. It involves equitable distribution of material goods. It also aims at reasonable psychological satisfaction of the workers. The first and foremost duty of the State, therefore, is to improve the general conditions of its citizens. This necessarily involves economic improvement. In the case of workers wages constitute the income. Several steps have been taken both at legislative and administrative levels to secure social justice to workers. But these attempts have been inadequate.

A meaningful and constructive wage policy suited for a proper economic growth of the nation is not reflected in the Five Year Plans. In some of the Plans there is not even an attempt to evolve a wage policy. For instance, in the Third Five Year Plan there was no particular reference to wage policy except a casual reference on the need for improving productivity and distributing minimum wages. On a perusal of the Five Year Plans it can be seen that the measures introduced by the Government do not reflect the existence of a proper wage policy.

Wage policy in isolation to price policy will be a vain exercise. The experience so far shows that in
India there is no proper price policy. Therefore no purpose will be served by a wage increase if there is a simultaneous price increase. Even after 33 years of Planning in India, the rich have become richer and the poor, poorer. Inequality of income and wealth has widened.

One of the goals of a proper wage policy is to guarantee that wages once fixed are paid promptly. Payment of wages Act 1936 has been an attempt in this regard. The enforcement of the Act is, however, inadequate. This defect could be overcome by strengthening the inspection machinery and vesting them with more powers. The penal provisions in the Act should also be modified providing for more stringent punishment for non compliance with its provisions.

Another important aspect of a wage policy is prevention of sweated labour. Exploitation of labour by payment of extremely low rates of wages has to be done away with. Legislative attempt in this regard in India is reflected in the Minimum Wages Act 1948. This Act prescribes two procedures for fixation of minimum wages. Government fix wages by notification. It can appoint committees to fix minimum wages. An examination
of the working of the committees reveals that no uniform criteria had been followed in fixing minimum wages. The method of fixation of minimum wages by committees appears to be more appropriate and democratic than the method of fixation by Government through notification. Experience shows that the Act is not properly and effectively applied.

The minimum wage does not cope with the actual needs of the working class. The concept of need-based minimum wage attains significance in this context. It was initially put forward by the Indian Labour Conference. When the question of implementation arose the Government denied any commitment to enforce it. Even at the practical level it was found that it was not feasible to implement the need-based minimum. Though immediate implementation may not be practical, the minimum wage determining authorities must keep it in mind as a desirable goal to be achieved in future. As rightly observed by the National Commission of Labour, the need-based minimum wage may be introduced gradually, keeping in mind the capacity of the employer to pay the same.

In fixing wages the requirements of a worker are to be looked into. These needs are governed by his
standard of living, which again refers to the consumption pattern. In assessing the standard of living in a particular society, the consumer price index plays a prominent role. This acts as an indicator of the rise and fall of the cost of living. It gives an idea about the value of requirements to maintain a standard of living. A low standard of living adversely affect the efficiency of workers. The wage fixing authorities have therefore to bear in mind the need for fixation of wages at such rates as would enable the workers not only to maintain a particular standard of living but also to gradually improve it.

Many workers live in extremely poor conditions with a very low standard of living. This situation will only lead to inefficiency of workers. It will adversely affect productivity and thereby the general economy. Probably one may suggest that this difficulty can be obviated by payment of high wages. But this is not a practical solution because it may lead to inflation. A pragmatic approach would be to formulate a family budget with a proper expenditure pattern for the workers' family. A model budget prepared and experimented upon by a few selected families were found successful. Trade
Unions could take up this responsibility of formulating family budgets, ensuring a better standard of living for workers. An attempt to educate workers in this regard could be a step forward.

Though in the fixation of minimum wage the financial capacity to pay is irrelevant, in the determination of higher wages it is a relevant consideration. The capacity to pay has to be analysed at different levels, viz. capacity of all the industries in the country, of a particular industry, of an individual employer and of a particular unit. All of them are relevant in wage fixation in different contexts.

While fixing wages at the national level irrespective of the industry, the capacity to pay of all the industries, as a whole, becomes a relevant consideration. In the present context there is no possibility of introducing a national wage in India. Capacity of a particular industry to pay, is relevant, in fixing wages at the national level in that industry. Such a wage will ensure the same wages to all workers in the same industry throughout the country. Apparently the system seems to be satisfactory. But the general financial capacity of an industry need not be the same in different individual units. When wages are fixed on the basis of the general
capacity of the industry, weak units may be adversely affected as the rates of wages so fixed may be beyond their capacity to pay. On the contrary, if the wages are fixed on the basis of the financial position of a weak unit, the general wages would be low. Therefore, the proper method would be to consider the capacity of a particular industry in a specified region. However, it would be appropriate that marginal units are kept aside to avoid hardship to them.

An individual employer may have a number of establishments under him. If there is functional integrity among the different units the composite whole could be treated as one, for ascertaining the financial capacity of the employer. If there is no such functional integrity each unit is treated as a separate establishment and the financial capacity of each concern is taken into account. In ascertaining the capacity to pay, a wage determining authority must take into account the financial pressure on the employer to make the payment. In fixing wage he should try to satisfy the reasonable expectations of the capital and labour.

Wage payments must be in conformity with the general economic level of the region or locality. The
basic idea behind this is the desire for unification of the conditions of service of similarly placed employees in the same locality. This is governed by the industry-cum-region formula. A study of the development of this principle indicates an emphasis on the industry part at the earlier stages, on the region part at later stages and a dilution of the principles as such, of late.

Institutions of wage determination have always been a challenging subject for study by industrial relations experts. The institutional framework of wage settling in India is complex due to the Government's attitude of insistence upon compulsory measures on the one hand and voluntarism on the other. In wage determination both these processes are involved. Collective bargaining is a process of democratic wage settlement without State intervention, while conciliation, adjudication and wage boards are systems which provide for State intervention.

Where labour is organised and industry developed, the system of collective bargaining becomes prevalent. However, a major defect in this system is that the success or failure of the process depends much on the threat of strike or lock-out. Multiplicity of unions weakens the
bargaining strength of workers. So also, in bipartite collective bargaining as it exists today, the interest of the consumer or of society at large is not protected.

Though there are defects in the system, collective bargaining is a strong machinery for regulating industrial relations. All the same, The National Commission on Labour, opined that any sudden change replacing adjudication by a system of collective bargaining would not be practicable. The Planning Commission made a suggestion in the Third Plan to the effect that the degree of dependence on adjudication and state intervention should be reduced and voluntary methods promoted. A proper and self disciplined process of collective bargaining will prevent exploitation not only of the parties, but also of the general consumer.

Conciliation is an effort to settle industrial disputes by discussion between the employer and employees in the presence of a conciliation officer. It involves an element of voluntariness. The purpose of conciliation is not to give a decision but to facilitate a congenial atmosphere for a frank and informal discussion so that the disputes are settled amicably. The Industrial
Disputes Act insists upon compulsory conciliation in public utility concerns. Conciliation is adopted in other industrial concerns also. The success or failure of the machinery depends on the ability and efficiency of the conciliation officer and the extent of willingness on the part of the disputants to forgo and to compromise. In the field of wage fixation the role of conciliation has not been quite encouraging.

The system of voluntary arbitration is provided for in the Industrial Disputes Act. Voluntary arbitration also presupposes a spirit of co-operation between the parties since a reference for arbitration is possible only on agreement between them. This system has also not been quite successful in solving disputes relating to wages.

For fixing fair wages the Committee on Fair Wages recommended the setting up of tripartite wage boards. This recommendation was favoured by the First, Second and Third Five Year Plans. Following this, wage boards were appointed. For the guidance of the wage boards, the Committee on Fair Wages laid down certain broad guidelines in wage fixation like the productivity of labour, prevailing rates of wages, the level of national income and its distribution and the place of the industry in the economy of the country.
In addition to this, the wage boards, have laid down a series of further principles. A wage board is expected to consider the wage structure in an industry for the entire nation. Since there are diversities in the various factors connected with wages in different localities, the wage board is unable to apply these principles uniformly. A further complication lies in the fact that the principles followed successfully by one wage board may not be suitable for another. The delay in determining the wages, lack of unanimity in the decisions and the difficulties in the implementation of the recommendations are the main drawbacks in the system. Delay is often caused by the procedural formalities and the process of waiting until a unanimous decision is arrived at. The employer may refuse to implement a wage board recommendation to which he had expressed his objection. Such situations occur when the Government accepts the board's majority opinion. As pointed out by the National Commission on Labour in case of lack of agreement within the board, the Chairman should act as an arbitrator and his award should be treated as the unanimous recommendation of the board. Government is not enthusiastic about providing statutory backing to wage board recommendations. According to the Government the parties concerned must
show a spirit of accommodation in enforcing the recommendations. Once a dispute arises and the parties take up a hostile attitude, the atmosphere ceases to be conducive to solving the problem through deliberations in wage board.

All the same, for formulating a wage structure in industry wage board is an effective machinery. Wage board will have expert knowledge of the industry concerned. It presents an excellent forum for active discussion between the employer and the employee. The presence of independent persons ensures protection of interests of the consumer and of the national economy.

Industrial adjudication machinery, created by the Industrial Disputes Act 1947, aims at securing industrial peace and uninterrupted production. In the process of adjudication of disputes an adjudicator can create new law for the parties. The Industrial Disputes Act contains no specific guidelines for fixing wages. So much so, the adjudicators resort to social and ethical considerations. In this process, adjudicators have evolved certain principles. To this extent, it can be said that industrial adjudication has contributed towards evolving or rather, framing a wage policy. All the same, the Supreme Court has cautioned that industrial adjudication
should avoid formulating or adopting abstract generalisations. In formulating a wage structure the adjudicator has to reconcile the conflicting claims of the employees for a higher wage, the employer's desire to make reasonable profits and the impact of the wages on the general economy. This is an onerous task.

To a great extent the adjudicatory machinery has been successful in settling wage disputes. Its success in the promotion of industrial peace and uninterrupted production lies in the fact that the Government can prohibit any strike or lock-out once a dispute is referred for adjudication. In India, due to multiplicity of unions and lack of unity and co-ordination among workers, industrial adjudication is likely to be in prominence. In fact, the general labour policy in India supports adjudication.

There is a 'hands off' attitude, a certain amount of lethargy and a lack of enthusiasm on the part of the Government in evolving a proper wage policy in India. However, there have been some attempts at evolving a wage policy. Such attempts are reflected in the appointment of the Committee on Fair Wages, the National Commission on Labour and the Bhoothalingam Committee. The adoption of Industrial Policy Resolutions, vague policy formulations...
in the Five Year Plans, and legislative measures like the Minimum Wages Act 1948 have all been steps in this direction.

No doubt, the Committee on Fair Wages laid down certain wage concepts like minimum wage, fair wage and living wage and certain guidelines for their determination. However, these guidelines have been criticised as inadequate. The Report of the National Commission on Labour was shelved. The Report of the Bhothalingam Committee was discarded for various reasons. The Industrial Policy Resolutions were not implemented. The Five Year Plan perspectives were not translated into practice. Legislative measures failed at the implementation level. We find that wage structures which exist today have evolved out of uncoordinated atomistic decisions and fragmented state regulations. No systematic policy guidelines have been evolved.

Lack of a coherent wage policy is likely to produce inflation in the economy. It may upset an equitable distribution of labour among the various industries. The absence of a proper wage policy will adversely affect effective functioning of the wage determining machineries. Without proper guidelines, the settlements or decisions
rendered by such authorities are likely to be arbitrary and lacking in uniformity.

Today there is the need for a centrally coordinated wage policy. This should be worked out together by the Government, employers and trade unions. As an initial measure an independent commission may explore the steps necessary to evolve a pragmatic and effective wage policy. In the meantime a declaration, at the governmental level of a clear and consistent policy would be a significant step. The policy so declared should govern the process of wage determination. If such policy is acceptable to the trade unions and the employers' organisations one can be more hopeful about the outcome. It will therefore be a wise step to have consultation with trade unions and employers' organisations before such a policy is formulated.

Any wage policy is bound to meet with formidable criticism. No policy can please all people, at all times, at all levels; but in the absence of any policy hardly anybody will be pleased at any time. A proper wage policy in Indian industries is, therefore, an urgent need.