CHAPTER 1

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Manpower planning has today its focus, in developing countries, on the creation and expansion of productive employment yielding adequate income with a view to solving the problem of poverty. Wages\(^1\) has therefore become a complex problem. It constitutes the important part of contract of employment. It is mostly the central axis of industrial unrest. Therefore wages is a matter of concern not only for employers and workers, but for society at large.

The various theories of wages do not converge on a common concept of wages applicable in all circumstances.\(^2\)

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Economic theories consider wages as the price for labour utilised in services or in the production of goods. Labour is not a commodity. Hence, from the social point of view, wages has a unique character. It constitutes not merely the payment for the physical and mental effort of human beings. It provides the means of living for those who supply the effort and also for the members of their family. It represents an important form of income among a great proportion of the population. In industry wages account for a large part of the employer's cost of production.

Various systems of wage payments are prevalent today. However, all these systems can be broadly classified as variants or combinations of two fundamental systems, namely, payment by time and payment by result. Fixed wages paid for completing a given quantity of work can be said to be 'payment by result' or 'piece rate'. Wages paid for work extending over a definite period of time is 'payment by time' or 'time rate'. Wages may be paid daily, weekly or monthly, as agreed upon between the employer and workers.

Wages can be classified into two - nominal and real. Nominal wages are wages in terms of money. Real wages

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depict the actual value in terms of goods and services which nominal wages can bring. It is generally presumed that the purchasing power of wages is determinant of the standard of living of workers. In order to maintain a particular standard of living, the real wages should be kept at the same level. This means that the nominal wages should keep pace with the rise in the cost of living. Hence nominal wages will have to change with the changing times.

Wages and national economy are closely related. Usually the cost of living increases with the growth of the national economy. This may upset the equilibrium of wages and give rise to a serious problem of industrial unrest. In such circumstances a readjustment of wages, keeping the general economic conditions remain undisturbed, will be called for.

'Wages' is one of the cost factors of production. Hence, demands for higher wages create price, market and production problems. The conflicting interests of the employer and the worker are to be reconciled, in order to attain industrial peace. It cannot be disputed that an

4. "... real wage stands for the actual standard of living or purchasing power the worker enjoys with the help of the wages and perquisites he receives". See V.P. Michael, Industrial Relations in India and Workers' Involvement in Management (1979), p.126.
adequate wage structure is necessary to maintain efficiency of labour. At the same time the consumer should not be exploited by an exhorbitant rise in price. The interest of society is to be protected. A healthy compromise of the conflicting interests is possible only if an appropriate wage policy exists.

"Wage policy", especially in the industrial sector, therefore, is of importance in a developing country. Wages, to a great extent, determine the status of workmen in society. It is also responsible for the workers' commitment to the industry, their attitude towards management, their morale and their motivation towards productivity. A proper wage policy should aim at the laying down and adoption of a set of principles, by the Government, in order to guide the wage movements for the realisation of desirable, social and economic goals. "Wage policy" may mean "legislation or government action calculated to affect the level or structure of wages, or both, for the purpose of attaining specific objectives of social and economic policy".

5. "The question of wage policy is of great concern to labour, management and Government. Of all the problems that face the worker, that of wages is the most pressing and persistent". Dr.C.J. Samuel, op.cit., p.271.

6. V.P. Michael, op. cit., p.140.

Wage policy must aim at evolving a proper wage structure, conducive to economic development, by reducing conflicts among the various factors of production, particularly between labour and capital. It should create an atmosphere of peace and cordiality essential for increased productivity. The wage policy should properly regulate factors like the structure of the working class, design of distributing income, price levels and general socio-political conditions in the country. Hence, the wage policy should ensure equitable distribution of income in society, which is the most important condition for economic development.


"Stable development would seem to require a more equitable distribution of wealth and a greater degree of participation in political and economic life than has so far been characteristic of many developing countries .... Growth which merely makes the rich richer will not make for the stable development of a healthy community. Policies which serve to distribute income equitably must therefore become as important as those designed to accelerate growth".

A constructive wage policy is a must for proper economic development. However, in many countries, one may not find a positive approach towards the evolution of a wage policy. Positive governmental action implies making of systematic efforts including statutes, rules, orders and other actions to regulate the level or structure of wages with a view to achieving the objectives of social and economic policy. Social objectives aim at a good standard of living for workers and also at protection from exploitation, price rise and inflation. Political and social factors do not operate in complete disregard of economic realities. Economic objectives aim at the attainment of economic welfare of society in general and of the working class in particular. Aiming at economic growth coupled with social justice is a peculiar characteristic of most of the developing countries.

10. "... no government can avoid having a wage policy. It may be a policy which involves no direct interference with the machinery of wage fixing, but even non-intervention is a policy". B.C. Roberts, A National Wage Policy in War and Peace (1958), p.24.


12. India, for example, has been trying to achieve these twin objectives by a process of democratic economic planning.
ultimate aim of economic planning is to reduce the differences between the haves and have-nots.13

However, the twin objectives, social and economic, are apparently conflicting. On the one hand, for attaining economic growth, more and more investments are required. On the other hand, for attaining social justice, transfer of funds from the rich to the poor must inevitably take place. Thus, in effect, the transfer of funds takes place from the investment category to the general consumption category. An attempt to reconcile the two combating goals may generate disharmony in industrial relations. Controls over consumption may have to be made, depending upon the priorities. Hence, while trying to achieve economic growth along with social justice, one must be selective.

Transfer of funds from capital to labour takes place by means of wages. Hence regulation in matters of wages is to be governed by the considerations mentioned above.

The capitalist desires to make profits. He wants to expand the industry. The worker aspires for better living

13. Jawaharlal Nehru remarked,

"... the ultimate aim is putting an end to these great differences between the rich and the poor; the people who have opportunities and those who have none or very little".

standards. He wants recognition of his skill and protection of wages. All these are significant factors to be looked into while formulating a policy for distributing wages. Though academic writings\(^\text{14}\) have pointed out the need for evolving a wage policy, the existence of such a policy in India is doubtful.\(^\text{15}\) In Parliament, members have often emphasised the need for a national wage policy.\(^\text{16}\) However, discussions on the necessity for an integrated wage policy have not been fruitful. No such policy has been evolved as yet. Much hope was given by the Minister for Planning

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\(^{15}\) D. Thengari, a Member of Parliament commented, in a debate on wage-price issue,

"I wonder why we did not make any attempt for formulating a national price policy as well as a national wage policy. Had we evolved such a policy for price as well as for wage it would have been possible for us to cope with events and contingencies".

\textit{India - Parliamentary Debates, Rajya Sabha Debates, Vol.LIII, No.19, September 10, 1965, Col.3676.}

\(^{16}\) For instance, Arjun Arora remarked,

"I want to urge upon the Government, including the Ministry of Labour, to evolve a national wage policy".

\textit{India - Parliamentary Debates, Rajya Sabha Debates, Vol.LXVI, No.2, November 19, 1968, Col.443.}
when he said\(^1\)\(^7\) that wage policy will be considered in the draft Fifth Five Year Plan. However, on looking at the draft Fifth Five Year Plan,\(^1\)\(^8\) one finds nothing significant regarding the said issue.

Several studies have brought out the various considerations relevant in evolving a wage policy. According to the International Labour Organisation,\(^1\)\(^9\) a wage policy must be so devised to obtain for the workers a just share in the fruits of economic development. This should be supplemented by adequate measures to keep workers' expenditure on consumption goods in tune with available

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17. Sri. Mohan Dharia stated:

"Price policy and other aspects of income policy are being studied separately as a part of the formulation of the draft Fifth Plan. The results of these studies will be incorporated in the draft Fifth Plan document".

India - Parliamentary Debates, Lok Sabha Debates, 5th series, Vol.XXX, No.20, August 22, 1973, Col.170. The reference to the study in this statement is about the expert committee, headed by Professor S. Chakravarty, set up by the Planning Commission in 1973. The report of the Committee has not been published. Some reports on the Committee's recommendations say that almost all the recommendations are too common place. See Eastern Economist, May 4, 1973, pp.892-895.


supplies so as to minimise inflationary pressures.20 Payment of minimum wages to employees in the unorganised sector is another characteristic of a proper wage policy. For utilising the manpower efficiently, a wage policy must have a component related to skill or productivity. Protection of earned wages is yet another objective of a properly framed wage policy. So much so, it has been rightly pointed out that "a wage policy must aim at establishing wages at the highest possible level, which the economic conditions of the country permit and it should also ensure that the wage earner gets a fair share of the increased prosperity of the country as a whole resulting from economic development".21

A national wage policy covering all the objectives discussed above has become inevitable in India due to industrial growth and consequential employment opportunities. But the attitude of Government towards formulation of a proper wage policy has been quite unsatisfactory. A glance

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20. There are two types of inflation, 'demand pull inflation' and 'cost push inflation'. If the demand for commodities is more than their supply, the demand pull inflation will be the result. In the other case, prices go up due to the increase in cost of production including wages. See, for details, K.K. Dewett and Adarsh Chand, Modern Economic Theory Micro and Macro Analysis (1979), p.436.

at the industrial scene in India is revealing. There have been consistent industrial disputes on the issue of wages. Though productivity and nominal wages increased, the real wages of workers did not improve notably. The existing wage structure in industries cannot be justified on any rational basis. The wage differentials which exist do not promote workers' skill or efficiency. There is a hands off attitude by the government; the legacy of the old laissez faire era. Lack of proper wage policy in the industrial field is the outcome of the absence of a well planned industrial relations policy. Wage policy is a part of the general industrial relations policy.

Has there been any attempt on the part of the Government to evolve a wage policy? In the absence of a proper wage policy, is it correct to say that the industrial relations system itself is in a state of chaos? How do the various wage determining authorities settle wage disputes? These and other related problems call for examination.

In this endeavour a study of the concept of 'wages' itself becomes relevant. Is there any distinction between the earlier notions of wages and the present day concept? The primary goal of a wage policy is the promotion of economic development of workers. How far does the present

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22. For a cause wise classification of disputes see infra, Ch.10, Table XXII.
system of wages, with components like basic wage, dearness allowance and other allowances maintain and improve workers' standard of living? How could wages be fixed at such rates as would enable workers to improve their standard of living? These aspects have to be probed.

Ideals of social justice demand equitable distribution of material goods. How far is this practised in the industrial field in India? What were the steps taken by the government? To what extent did they succeed? Exploitation of labour was a common practice in the past. Unemployed and unorganised workers were compelled to accept employment at starvation wages. In order to obviate this, the Minimum Wages Act 1948 was enacted. By this legislation, is exploitation prevented to the desired extent? Has this legislation succeeded in achieving its goal? These are some of the related matters that have to be scrutinised.

Different machineries for settlement of disputes function in the Indian industrial field. In the absence of a clear cut policy to what extent have these bodies been successful in settling wage disputes? In the course of settling wage disputes certain principles have been evolved by the various wage determining authorities. 'Capacity to pay' and 'industry-cum-region formula' are
prominent among them. Are these principles adequate?
A study of this issue is also called for.

The ensuing chapters analyse the various problems which so revolve round the issue of wages and emphasise the need for an appropriate national wage policy.