CHAPTER 5

WAGE STRUCTURE

The importance of wages in economic development arises from the fact that wages have two significant economic functions to perform. As income, they distribute the products of industry among wage earners who form a substantial section of the community. As cost they influence the output in which the resources of the economy are allocated, among the different avenues of production. Wages have a role to play in determining price level and employment.

In general according to an I.L.O publication, "any level of wage rates may be compatible with the general objectives of full employment without inflation give appropriate fiscal, monetary and price policies and a willingness to accept the consequences of those policies".

In India as the number of wage earners grows with the growth of the economy, wages play an increasingly important role in all fields of the economy.

The term "wage policy" in a country like India refers to 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". The social objectives that wage policy may be instrumental in
attaining may include the elimination of exceptionally low wages, the establishment of fair labour standard and the protection of wage earners from the effect of rising prices. Another aim of the wage policy is to increase the economic welfare of the community as a whole.

The objectives of the wage policy in a developing economy have been summarised in a publication of the I.L.O as follows:

a) To abolish malpractices and abuses in wage payment
b) To set minimum wages for workers......
c) To obtain for the workers a just share in the fruits of economic development......
d) To bring about a more efficient allocation and utilization of manpower through wage differentials.

Wage Concepts:

The terms which have acquired currency in discussing wage problems since independence or specifically since 1948 are:

I) The Statutory minimum wage;
II) Basic minimum wage,
III) The minimum wage,
IV) The fair wage,
V) The living wage,
VI) The need-based minimum wage.
The first term owes its origin to the provisions of the Minimum Wages Act, 1948. The second term is used in awards and judicial pronouncements. The next set of three terms were introduced in the report of the committee on fair wages and the last one in the resolution of the 15th session of the Indian Labour Conference in July 1957.

*The concepts of minimum, fair and living wages:*

The committee on fair wages referred to several terms used in relation to the different levels of wages, three of them being, 'the minimum wage', 'the fair wage', and 'the living wage'. The general scheme of the committee is that the minimum wage represented the lower limit of the fair wage. Beyond it was the higher level of the fair wage while the highest level of the fair wage was the living wage. These levels naturally do not represent a static, inflexible concept; they would vary and expand according to economic development and compulsions of social justice.

*The minimum wages:*

The concept of minimum wage, connotes different standards in different countries. The Fair wages committee in India observed: "In India, the level of the national income is so low at present that it is generally accepted that the country cannot afford to prescribe by law a minimum wage which would correspond to the concept of the living wage.....we consider that a minimum wage must provide not merely for the bare subsistence of"
life but for the preservation of the efficiency of the worker. For this purpose the minimum wage must also provide for some measure of education, medical requirements and amenities" ².

A minimum thus does not imply a wage which provides only bare subsistence as implied by the subsistence theory of wages. It does not aim a merely keeping the soul and body of the worker together but also aims at providing him with those comforts and decencies which are promotive of better habits, which give a chance for the development of greater sense of self respect and which betoken a higher regard for the place occupied by these workers in the scheme of citizenship ³. A very popular definition of the minimum wage is that it is one which could meet the normal needs of the average employee regarded as a human being living in a civilized society. A minimum wage may thus be defined as one which may be sufficient to enable a worker to live in reasonable comfort having regard to all obligations to which an average worker would ordinarily be subject. The principle of minimum wage has now been widely recognized and accepted in almost all the industrially developed countries of the world.

The Need-based Minimum Wages:

At the 15th. Session of the Indian Labour Conference held at New Delhi in July 1957, an important resolution was passed which laid down that the minimum wage should be need-based and should ensure the minimum human needs of the industrial worker.
The following norms were accepted as a guide for all wage fixing authorities including minimum wage committees, wage boards, adjudicators etc.:

1) In calculating the minimum wage, the standard working-class family should be taken to comprise three consumption units for one earner, the earnings of women, children and adolescents being disregarded.

2) Minimum food requirements should be calculated on the basis of a net intake of calories as recommended by Dr. Aykroyd for an average Indian adult of moderate activity.

3) Clothing requirements should be estimated on the basis of a per capita consumption of 18 yards per annum, which would give for the average workers family of four a total of 72 yards.

4) In respect of housing, the rent corresponding to the minimum area provided for under government industrial housing scheme should be taken into consideration in fixing the minimum wage.

5) Fuel, lighting and other miscellaneous items of expenditure should constitute 20% of the total minimum wage.

The resolution further laid down that the minimum wage fixed was below the norms recommended above, it would be incumbent on the
authorities concerned to justify the circumstances which prevented them from adherence to the aforesaid norms. The resolution, thus, tried to give a concreteness to the whole concept of minimum wage. The wage boards have kept the norms laid down in the resolution in view while making their recommendations.

The Living Wage:

The living wage, according to the committee on fair wages, represented the highest level of the wage and naturally it would include all amenities which a citizen living in modern civilized society was entitled to expect when the economy of the country was sufficiently advanced and their employer was able to meet the expanding aspirations of his workers.

After considering various observations made by Indian and foreign authorities, the Fair wages committee observed: "The living wages should enable the male earner to provide for himself and his family the bare essentials of food, clothing and shelter but a measure of frugal comfort including education for the children, protection against ill health, requirements of essential social needs, and a measure of insurance against the more important misfortunes including old age."

The committee on Fair wages sets the living wage standard as the upper limit of wage fixation, the lower limit being the minimum wage.
Fair Wages:

With the viewer to bringing about improved relations between labour and management, the Industrial Truce Resolution was passed in 1947 which provided for the payment of fair wages to labour. It is very difficult to explain precisely what a fair wage means; still an idea about the concept may be formed from the various definitions given for it. According to the encyclopedia of social sciences, Fair wages are equal to that received by workers performing work of equal scale, difficulty or unpleasantness.


The Statutory Minimum Wage is the wage determined according to the procedure prescribed by the relevant provisions of the Minimum Wages Act, 1948. The Minimum Wage Act was passed into an act in March 1948. The Act applies to the employment that are included in parts I and II of the schedule to the Act. The authority to include an employment in the schedule and to take steps for getting the minimum rates of wages, fixed or revised vests in Government - Central or State, according to the natures of employment. Once the minimum rates of wages are fixed according to the procedure prescribed by law, it is the obligation of the employer to pay the said wages irrespective of the capacity to pay.

Minimum wages have since been fixed by the Governments of all the states for employments in all the industries mentioned in part I of the schedule of the 1948 Act. Some state governments have extended the
application of the Act to some other industries besides those mentioned in part I of the schedule of the Act. Although the MW Act was intended mainly as a measure to prevent sweating or exploitation of labour through the payment of unduly low wages, it took in its sweep employments in which labour was organized or weakly organized. Over the years a number of new employments were added by state governments to the original schedule depending on local requirements.

*The Payment of Wages Act, 1936:*

Largely as a result of the recommendations of the royal commission on labour in India an act known as the payment of wages act was passed in 1936 and was put into force in March 1937. The object of the Act is to regulate the payment of wages to certain classes of persons engaged in industry. The regulation contemplated by the Act is of two kinds, viz.,

1) about the date of the payment of wages, and
2) about deductions from wages whether as fine or otherwise.

Since the amendment of the act in 1976, the Act became applicable to persons drawing up to Rs.1600 per month. It extends to the whole of India.

**Standardization of wages: -**

One important problem connected with wages of industrial workers in India is that of lack of standardization. Often in the same industry, at the
same industrial centre, for the same occupation different rates of wages are paid. Besides, wages vary from state to state, from industry to industry, from factory to factory and in the same industry from occupation to occupation. Thus the wage level is relatively high in Delhi, Maharashtra, UP, Bihar and West Bengal. While it is low in Assam and Orissa. Besides the basic wages dearness allowance also varies widely from place to place for the obvious reason that in some cases it is linked up with the cost of living indicated with different classes of workers. In some cases, it is flat while in others it is proportionate to income. Moreover, the average annual earnings of the workers also differs from place to place.

These differences in wage rates, which are based on any scientific principles, are responsible for a number of evils in modern industry. The workers have a tendency to migrate from the low paid industries to better paid industries or from the factory where wages are low to the factory where wages are higher. The stability of labour force is thus difficult to achieve. Then the variation in wage rates also prepares a ground for industrial disputes. When workers doing the same job in two factories in the same centre receive different remuneration. Those getting comparatively low remuneration are sure to be discontented and will revolt whenever they get an opportunity.
Pay and Allowances in Indian Railways:

The pay scales applicable to the government services in India introduced on the recommendations of the first Central Pay Commission effective from 1947 are known as Prescribed Scales of pay. These scales replaced 1934 scales but did not replace the pre-1931 scales which being in many cases better than the CPC scales of the pay of the government. Servants including the Railway servants were given option either to retain their scales of pay or to come over to the prescribed scales of pay. The prescribed scales of pay were again revised, w.e.f. 1.7.1959 on the recommendations of the second CPC. With the rise in price index these scales were again revised on the recommendations of the third CPC. These took effect from 1.1.1973 except in the scales of pay of posts, which were upgraded to Rs.3000 taking effect from 1.5.1974. These scales are known as revised scales of pay. A few years later another central pay commission was formed and this is known as the Fourth CPC. On the recommendations of this commission the scales which were introduced were given effect from 1.1.1986 and these scales of pay are known as Revised Scales / 86.

The Government of India, Ministry of Finance, Department of Expenditures, by a resolution dated 9.4.1994 constituted the Fifth Central Pay Commission to evolve the principles which should govern the structure of emoluments and those conditions of services of the central Government employees having a financial bearing and also to examine the present structure of emoluments and conditions of service of the Government.
employees taking into account the total packet of benefits available to them and suggest changes therein which may be desirable and feasible.


**Pay on Initial Appointment:**

The pay of a Railway servant at the time of initial appointment will be fixed at the minimum of the scale of pay to which he is recruited. In special cases pay may be fixed at a higher stage, even at the maximum of the scale by giving advance increments (premature increments) to a Railway servant on a time scale of pay may be granted by an authority of it who has power to create a permanent post in the same scale of pay.

In cases however there is standing order as in the case of appointment of sportspersons, pay may be fixed at a higher stage by a competent authority.
Advance Increment:

In special cases at the time of initial appointment pay may be fixed at a higher stage even at the maximum of the scale by giving an advance increment.

On Confirmation:

When a temporary Railway servant is confirmed in a time scale his substantive pay will be fixed at the same stage as he was drawing in the time scale or would have drawn had he not been transferred to another post at the time of his confirmation.

The researcher tried to ascertain from 250 respondent employees about the wage structure and payment of bonus prevailing in open line section of Hubli Division. The study also covered aspects like adequacy of wages to meet the social requirements, time period given to the Railway Board for settlement of new wage structure and role of trade unions in providing better wages to the employees.

Basic Pay:

The present study covered 250 employees of Hubli Division, out of which 130 belonging to group C and 120 to group D. The researcher could obtain the responses from all the 250 employees with regard to the basic pay.
Out of 250, 148 (59.2 %) employees were receiving less than Rs.3000, and 53 (21.2%) employees were receiving a basic pay of more than Rs.6000. The following table gives the details:

The above table reveals that, amongst group C employees, no one received a basic pay of less than Rs.3000 and in group D, no employee received a basic pay of more than Rs.6000. This shows that wages in Group C are comparatively higher than wages in Group D.

Table 5.1 Basic Pay

<table>
<thead>
<tr>
<th>Employee Group</th>
<th>Less than Rs.3000</th>
<th>Rs.3000 to Rs.6000</th>
<th>More than Rs.6000</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>--</td>
<td>77</td>
<td>53</td>
<td>130</td>
</tr>
<tr>
<td>D</td>
<td>49</td>
<td>71</td>
<td>--</td>
<td>120</td>
</tr>
<tr>
<td>Total</td>
<td>49 (19.6 %)</td>
<td>148 (59.2 %)</td>
<td>53 (21.2 %)</td>
<td>250 (100 %)</td>
</tr>
</tbody>
</table>

Source: Field Survey

Adequacy of Wage to Meet Social Requirement:

The researcher made an attempt to ascertain the responses of group C and D employees of open line section in Hubli Division about the adequacy of wages to meet the social requirement. The following table gives details in this regard. The survey covered 250 employees of group C and D:
Table 5.2 Adequacy of Wage to Meet Social Requirement

<table>
<thead>
<tr>
<th>Employee Group</th>
<th>Highly Adequate</th>
<th>Quite Adequate</th>
<th>Inadequate</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>2</td>
<td>73</td>
<td>55</td>
<td>130</td>
</tr>
<tr>
<td>D</td>
<td>--</td>
<td>61</td>
<td>59</td>
<td>120</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2 (0.85%)</strong></td>
<td><strong>134 (56.25%)</strong></td>
<td><strong>114 (42.9%)</strong></td>
<td><strong>250 (100%)</strong></td>
</tr>
</tbody>
</table>

Source: Field Survey

The response here reveals that only 2 (0.85%) employees said that the wage is highly adequate to meet social requirement. But majority of the employees 134 (56.25%) said that the wages are quite adequate to meet social requirements, and 114 (42.9%) employees said that the wages are inadequate to meet the social requirements.

Here the findings call for the Railway Wage Board to give attention to respondents responses to evolve a suitable wage policy.

**Time Period for Settlement of Wages:**

Whenever a strike is made or even a demand is put by the employees regarding the modifications in the wage structures, a certain time period should be given to the higher authorities to think over the matter. The researcher obtained the relevant information about the time period required for settlement of wages, from 250 employees belonging to group C (130) and group D (120). The following table provides the details:
Table 5.3 Time Period for Settlement of Wages

<table>
<thead>
<tr>
<th>Employee Group</th>
<th>One Month</th>
<th>1–3 months</th>
<th>More than 3 months</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>91</td>
<td>26</td>
<td>13</td>
<td>130</td>
</tr>
<tr>
<td>D</td>
<td>42</td>
<td>67</td>
<td>11</td>
<td>120</td>
</tr>
<tr>
<td>Total</td>
<td>133 (52.9%)</td>
<td>93 (37.1%)</td>
<td>24 (10%)</td>
<td>250 (100%)</td>
</tr>
</tbody>
</table>

Source: Field Survey

The table reveals that majority of respondents say that one-month time period should be taken for settlement of wages i.e., 133 (52.9%) employees out of 250 surveyed. 93 (37.1%) employees say that one-three months time period should be taken and only 24 (10%) employees say that more than three months time period should be taken.

Here the findings reveal that the wages should be settled as quickly as possible by the Railway Board, or else it may affect the productivity in the division.

Role of Trade Unions in Providing Better Wages:

The trade union provides security and support to the workers. The existence of strong Union is itself a source of confidence to the workers that their legitimate interests will not be encroached upon and this confidence helps in building satisfactory industrial relations. The trade union has a great part to play and far wider task to perform than merely safeguarding the working and living conditions and wages of its members. When the question
of wages of the employees arises, trade unions are always on their toes. The researcher tried to investigate trade unions’ role in providing better wages to the employees. The following table provides the details:

**Table 5.4 Role of Trade Unions in Providing Better Wages**

<table>
<thead>
<tr>
<th>Employee</th>
<th>Always</th>
<th>Sometimes</th>
<th>Never</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>92</td>
<td>31</td>
<td>7</td>
<td>130</td>
</tr>
<tr>
<td>D</td>
<td>104</td>
<td>15</td>
<td>1</td>
<td>120</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>196 (78.4%)</td>
<td>46 (18.4%)</td>
<td>8 (3.2%)</td>
<td>250 (100%)</td>
</tr>
</tbody>
</table>

Source: Field Survey

The table reveals that out of 250 employees covered by the study, 196 (78.4%) employees accept that trade unions are always there in providing better wages. 46 (18.4%) employees say that only few times trade unions will fight for better wages. Surprisingly 8 (3.2%) respondents say that trade unions will never play any role in providing better wages.

Thus by and large the workers union has been playing a positive role in providing better wages to the employees.

**The Payment of Bonus**

*The concept*

The first concept of bonus is known as an incentive bonus - payment of bonus as an incentive to greater effort. This concept does not lead to any
serious dispute between their employers and the employees. Bonus as an ex- 
gratia payment is a gift from the employers and depends entirely on their 
good will. As such, it is rejected by trade union leaders and economists. The 
last two concepts are really meaningful and acceptable. The third concept is 
known as profit bonus. It is acceptable now even to the capitalists. 
Differences, however, arise regarding the quantum of bonus and method of 
its calculation. The workers and union leaders prefer to claim bonus as a 
deferred wage which is to be paid irrespective of whether the undertaking 
makes a profit or incurring losses.

Apart from the basic wage and DA, there are other items considered 
as part of a workers earning. These include attendance bonus, production or 
incentive bonus, shift allowance, overtime pay and so on. Profit bonus 
constitute an important component of workers income. The Payment of 
Bonus Act, 1965, formally recognized the workers right to a share in profits 
of an undertaking.

The term "bonus" is used in India in four different senses, they are

a) Payment as an incentive to regularity of attendance or to 
encourage good work, or a payment for some special or 
additional service rendered by labour;

b) An ex - gratia payment;

c) A share in the profits which workers may claim as a right 
and

d) Deferred wages payable to the workers.

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Payment of Bonus Act, 1965:

An ordinance for a regulating payment of bonus was issued in May 1965 and was later replaced by the Payment of Bonus Act, 1965 in September of that year.

The method of calculation of annual bonus is as follows:

\[ \text{Available Surplus} = A + B \]

where,

- \( A \) = Gross Profit - (Depreciation admissible U/S 32 of the Income Tax Act + Development Rebate or investment allowance or Development Allowance + Direct Taxes payable for the accounting year + Sums as specified in the third schedule).
- \( B \) = Direct Taxes in respect of gross profits for the immediately preceding accounting year – Direct taxes in respect of such profits as reduced by the amount of bonus for the immediately preceding accounting year.

Incentive Bonus Schemes in Indian Railways:

With a view to increase the productivity of workshop and production units and creating incentive for the employees and their supervisors, an
Incentive scheme has been in existence in the railways for a number of years. The scheme was initially introduced in Chittaranjan Locomotive Works and was extended later to other railway workshops and production units.

Incentive schemes have also been introduced for other small groups of staff in the Indian Railways.

All the employees of open-line section in Hubli Division receive the yearly bonus regularly. The Railway Department has never delayed the payment of bonus in recent past. The research study reveals that all the 250 respondent employees, 130 from group C and 120 from group D, are receiving annual bonus regularly. The division has never delayed the payment of bonus.
References

1 ILO, “Problems of Wage Policy in Asian Countries, 1956, pp. 39-40


3 Rowantree: Poverty – A Study of Town Life quoted by U.P. Labour Enquiry Committee.