

Wage Policy

The term wage policy refers to legislation or government action undertaken to regulate the level or structure of wage, or both, for the purpose of achieving specific objectives of social and economic policy.

A wage policy guides organizations in taking decisions on wage-related matters. At the organizational level, wage policies are framed, keeping in mind various regulatory requirements and the organizations own strategies.

In the organized manufacturing sector in India, wages constitute approximately nine per cent of the total input costs. Another reason for the study of wage policy has been due to reason that wage rates and jobs are not exactly like other prices and quantities.

Wage Policy – Meaning

The term wage policy refers to legislation or government action undertaken to regulate the level or structure of wage, or both, for the purpose of achieving specific objectives of social and economic policy. It involves all systematic efforts of the government in relation to a national wage and salary system, legislations, and so on to regulate the levels or structures of wages and salaries with a view to achieving economic and social objectives of the government.

The first step towards the evolution of wage policy was the enactment of the payment of Wages Act, 1936. The main objective of the Act is to prohibit any delay or withholding of wages legitimately due to the employees. The next step was the passing of the Industrial Disputes Act, 1947, authorizing all the State governments to set up industrial tribunals that would look into disputes relating to remuneration.

Another notable development that led to the evolution of wage policy was the enactment of the Minimum Wages Act, 1948. The purpose of the Act is the fixation of minimum rates of wages to workers in sweated industries such as woolen, carpet making, flour mills, tobacco manufacturing, oil mills, plantations, quarrying, mica, agriculture, and the like.

The Act was amended several times to make it applicable to more and more Industries. Then the Equal Remuneration Act, 1976, which prohibits discrimination in matters relating to remuneration on the basis of religion, region or sex was enacted. The

Constitution of India committed the government to evolve a wage policy. Successive five-year plans have also devoted necessary attention to the need for a wage policy. Following the recommendations of the First and Second Plans, the Government of India constituted wage boards for important industries in the country. A wage board is a tripartite body comprising representations from the government, owners, and employees. Technically speaking, a wage board can only make recommendations, and wage policies are normally implemented through persuasion.

In spite of legislations, tribunals, and boards, disparities in wages and salaries still persist.

Some of the disparities are:

- a. Employees of MNCs are paid much more than their counterparts in host countries for identical work.
- b. Different industries have different wage and salary structures resulting in disparities in remuneration for identical work.
- c. Wide gaps exist between wages and salaries of employees in the organized sector and of those in the unorganized sector, the latter earning much less than the former.
- d. Differences exist between earnings of employees in the government sector and those in the private sector.
- e. Within the government sector, salary differences exist among employees of different departments.

The disparities are glaring. If an illiterate supervisor in leather processing unit can earn Rs. 12,000 plus per month and a half-yearly bonus, how much can a university professor earn? Rs. 10,000 and no bonus? If an auto driver can earn Rs. 3000 per month, how much should a temporary lecturer in a college earn? Rs. 5000 per month? And remain temporary forever. A sweeper in L&T is an Income tax assessee but a BE or an MBBS degree holder works for Rs. 800 per month in a small-scale unit or Rs. 1200 in a private nursing home, respectively.

In order to correct such disparities, the Government of India appointed a Committee headed by Mr Bhootalingam in 1979. The committee was to suggest regional and integrated wage policy covering all sectors of the economy. Soon after the committee submitted its report, it was criticized as anti-labor and impracticable.

Recent wage practices in India in the organised sector are such that dearness allowances are paid to neutralise at least partially, price increases, bonus paid as per the Bonus Act,

and fringe benefits given under this Employees' State Insurance Act and the Employees' Provident Fund" Act. Wage Boards have attempted to settle wage disputes, taking into account the principle of fair wages first set forth by the Report of Committee on Fair Wages.

The Fair Wages Committee recommended that the "minimum wage should represent the lower limit of the fair wage, the upper limit being the capacity of industry to pay".

Between these two limits, the Committee suggested that the fair wage should depend upon – (i) productivity of labour; (ii) prevailing rates of wages in the same and similar occupations in the same neighbouring localities; (iii) level of the national income and its distribution, and (iv) place of the industry concerned in the economy of the country. The Committees' recommendations are similar to the requirements laid down above.

Wage Policy – Concept

A rational wage policy is essential both on social and economic grounds. Without it there is a danger of unreasonable exploitation of workers leading to discontent which must result in disharmony between workers and management. Therefore, a sound wage policy is needed in the interest of workers, employers, the Government and the country.

Three Concepts of Wages:

Three concepts of wages are commonly used in discussions on wage policy, and the same concepts were also explained by the Fair Wages Committee, namely:

1. Minimum wage,
2. Living wage, and
3. Fair Wage.

These are broadly based on the needs of the workers and the capacity of employers to pay, as also on the general economic conditions prevailing in a country.

1. Minimum Wage:

A minimum wage is said to be a wage which is sufficient to satisfy at least the minimum needs, of at least a frugal and steady workers. According to the Committee on Fair Wages, the minimum wage is an irreducible or minimum amount regarded necessary for the bare sustenance of the worker and his family and for the preservation of his efficiency at work.

In most countries, like ours, Minimum Wages Legislation has fixed minimum wages for specified occupations, especially where sweating and exploitation of labour had been

prevalent. In fixing a minimum wage both the need of the workers and the capacity of the industry to pay are taken into account. From the social point of view, an industry which cannot even afford to pay a basic minimum wage has no justification for existence in the long-run.

2. Living Wage:

It is a wage which should offer an employee incentive to work and produce enough in quantity, without sacrificing quality, so that the payment of such a wage is justifiable by the industry. The living wage for a worker should be such as to include not merely the cost of maintenance for himself but also for supporting his family.

As such, living wage should include provision for the following:

- i. Bare necessities such as food, clothing and shelter;
- ii. A measure of frugal comfort includes – (a) education for children, (b) protection against ill-health, (c) requirements of essential social needs, and (d) a measure of insurance against the more important misfortunes including old age.
- iii. Some margin for self-development and recreation.

The concept of living wage, to be realistic, should be linked with economic conditions and the size of the family. While determining expenditure under various heads, attention should be paid to the changes in the cost of living as prices fluctuate from time to time.

3. Fair Wage:

While living wage is the cherished goal and the ultimate aim or target, a fair wage is a step towards a living wage. In the narrow sense, a wage rate is fair if it is equal to the rate prevailing in the same area and industry. In the wider, sense, fair wage is the predominant rate available for similar jobs and occupations throughout the country or in all industries. The demand for a fair wage is also reflected in the slogan 'equal pay for equal work' In simple terms, it is the wage equal to that received by employees performing equal work, demanding equal skill, equal difficulty and equal unpleasantness. Equal work is considered not only in the same job but also work in similar and comparable jobs. Fair wage is positively higher than the minimum wage, but it may be lower than the living wage.

The actual fixation of a fair wage depends upon the productivity of labour, prevailing rates of wages, level of national income, capacity of the industry to pay, wage differentials in corresponding places and the importance of industry in relation to the national economy.