

Case Study: Wage and Salary Administration in India's Public and Private Sectors

Background

Wage and salary administration is a crucial function of human resource management that ensures fair, equitable, and legally compliant compensation to employees. In India, wage determination is influenced by economic conditions, labour productivity, cost of living, government intervention, and collective bargaining. This case focuses on how wages are determined and administered at the macro (national) level, highlighting wage theories, wage concepts, institutional mechanisms such as Pay Commissions and Wage Boards, and public sector pay revisions.

Case Scenario

In recent years, India has experienced rising inflation, increasing living costs, and demands for higher wages from both public and private sector employees. The Central Government appointed the 7th Pay Commission to revise wages of central government employees to maintain purchasing power and ensure equity across services. The Commission considered factors such as minimum living wage, inflation index, fiscal capacity of the government, and pay parity while recommending revised pay scales.

At the same time, in industries such as textiles, sugar, and journalism, Wage Boards were constituted to determine fair wages by balancing the interests of employers and employees. These boards followed the principles of fair wages and living wages, as suggested by wage determination theories like the Subsistence Theory, Standard of Living Theory, and Bargaining Theory.

In the private sector, companies increasingly adopted market-based wage determination, linking wages to productivity, performance, and skill levels. However, disparities arose between organized and unorganized sectors, leading to government intervention through minimum wage laws and a national wage policy under the Code on Wages.

Despite these measures, challenges such as wage inequality, regional wage variations, pressure on government finances, and dissatisfaction among employees continued. The government faced the dual responsibility of ensuring social justice through fair wages while maintaining economic stability and fiscal discipline.

Key Issues Highlighted in the Case

- Application of theories of wage determination in real-world settings
- Differences between types of wages (minimum wage, fair wage, living wage, real wage, money wage)
- Role of the government in macro-level wage administration
- Effectiveness of institutional mechanisms such as Pay Commissions and Wage Boards
- Challenges in public sector pay revision and wage parity

Discussion / Examination Questions

1. Explain how various theories of wage determination are reflected in the functioning of Pay Commissions and Wage Boards.
2. Discuss the role of wage policy and institutional mechanisms in ensuring equitable wage determination at the national level.
3. Analyze the challenges faced by the government in public sector pay revision while balancing employee welfare and fiscal responsibility.
4. Differentiate between minimum wage, fair wage, and living wage with reference to the case.