

**A STUDY OF
THE DYNAMICS OF WAGE DETERMINATION
OF INDUSTRIAL EMPLOYEES IN INDIA**

**A THESIS
SUBMITTED FOR THE DEGREE OF
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**BY
AJEET NARAIN MATHUR**



**DEPARTMENT OF INDUSTRIAL MANAGEMENT
INDIAN INSTITUTE OF SCIENCE**

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A B S T R A C T

Employee remuneration of industrial workmen is a major unresolved conflict area in the field of industrial relations in India because about 40% of industrial disputes relate to wage issues. The changing concept and context of remuneration has introduced new dimensions to the dynamics of remuneration. The subject is also gaining significance with the increasing awareness that more effective human resource utilisation towards optimising organisational performance is possible through greater satisfaction on issues related to employee earnings.

A review of the experiences of different countries reveals many parallel features and common problems. The development of wage determining institutions and processes, the emergence of trade unionism, minimum wage legislation, erosion of real earnings and multi-tier frameworks for wage bargaining are part of the shared experience of the industrial world. The pursuit of socially responsible and organisationally optimal wage policy has highlighted the need for developing an integrated national policy

framework for determination of wages and related aspects in many countries including India. A review of the Indian experience reveals the influence of legislation and judicial pronouncements on wage determination. Collective bargaining is yet to be successfully experimented in most industrial organisations in India and has been mainly confined to large manufacturing organisations (Chapter 2).

Keeping in view the contextual framework in India, the present study was undertaken with the following main objectives:

- (i) To identify significant factors influencing remuneration of workmen in industrial organisations in India and to study the relationships between factors found to be significant.
- (ii) To analyse inter-organisational and intra-organisational differences in wage level and wage structure of industrial organisations.
- (iii) To study the relationships between wages of different categories of workmen and to relate wages with organisational and national variables.
- (iv) To examine the significance of earnings in affecting job satisfaction and analyse perceptions of management personnel, workmen, trade union leaders, employers' representatives and government officials on existing and desired

criteria emphasis for determination of employee remuneration in industrial organisations

- (v) To explore the dynamics of wage determination processes and modalities of wage systems to highlight aspects which have a bearing on development of national wage policy framework.

The study was based on:

- (i) literature survey to review the experience in India and abroad,
- (ii) field study conducted in eight large manufacturing industrial organisations in public and private sectors in two regions adopting questionnaire survey method,
- (iii) views of trade union leaders, employers' representatives on chambers of commerce and management associations and government officials.

The findings of the study are based on the responses of 609 respondents of different categories and other factual data collected from the organisations (details given in Chapter 3).

Based on the findings of the study the following conclusions were drawn:

- (1) Changes in wage level of industrial workmen are mainly related to variations in the cost of living

index used as the basis for variable dearness allowance payments. This relationship eclipses other factors also observed to be related such as index of production, capital intensity and skill mix.

- (2) Significant relationships exist between earnings of certain employee categories and focus on key categories can explain variations in associated categories also.
- (3) The strength of the price-wage relationship and the acceptance of multi-tier collective bargaining processes as in the steel industry make it possible to visualise development of institutional framework for evolution of rational wage policy.
- (4) Current wage trends can disturb internal equity and generate anomalies unless a socially responsible comprehensive incomes policy within a national framework is evolved for industrial employees.
- (5) Earnings issues are important for organisational performance since earnings have been found to be very important for job satisfaction of employees regardless of background factors such as age, education, work experience, length of service years in present position and dependency.

(6) Although there is some agreement on certain specific criteria for wage determination the emphasis varies amongst different interest groups. The differences that exist in emphasis may be considered the main obstacle in the way of evolving a universally acceptable set of criteria norms for development of national wage policy.

The overall conclusion that has emerged from this study is that pressure due to erosion of real earnings has been the main factor influencing variations in employee earnings eclipsing several other criteria. The rationale behind evolution of wage policy has been perceived by all interest groups as important apart from the importance of the actual economic aspect of remuneration. Increase in consensus on criteria norms between different interest groups affected by and involved with wage determination can facilitate creation of institutional frameworks within which compensation for eroded real earnings can be made contingent on performance norms for individuals, groups and organisations. Multi-tier participative processes can lead to more rational and acceptable wage determination processes in organisations, industries and sectors towards more socially responsible wage policies which would aid in optimising, at organisational level, the effectiveness of human resources for organisational performance.

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Ajeet Mathur
(AJEET NARAIN MATHUR)
Bangalore 13 08 82

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