

## CHAPTER - 6

### SUMMARY AND CONCLUSIONS

The subject of employee remuneration is gaining fresh significance in the context of industrial relations in industrial organisations in India and the possibility of increasing human resource utilisation through satisfaction on earnings issues. The changing concept and context of wage which distinguishes wages in the industrial environment today has introduced many new dimensions to the dynamics of employee remuneration capable of being comprehensively tackled only through a multidisciplinary approach.

Wages in industrial organisations need to be related to employee aspirations with regard to level, structure, criteria, constituents, equity and wage determining processes and institutions to become an effective instrument through which organisational performance can be optimised together with pursuit of socially responsible wage policies.

A review of international experience of wage determination highlights parallel features in many countries as discussed in Chapter 2. The development of wage determination systems and processes has been a by-product of

industrialisation. The emergence of trade unions, the need for minimum wage legislation and erosion of real earnings due to inflationary trends are a part of the shared experience of many countries. A comparison of experiences of wage determination also reveals how countries which initially relied on centralised sector wide or industry wide bargaining have felt the need to experiment with unit level collective bargaining also and how countries with decentralised wage determination have felt the need for national incomes policy framework within which wage determination can be made more socially responsible by attuning it to national needs. International experience reveals that the Government directly or indirectly influences wage determination processes in most countries. There is indication that multi-tier wage determining institutions and processes are gaining acceptance and collective bargaining at the organisation level within an overall framework for an industry or group of industries is becoming the norm.

Wage determination in India in the nineteenth century was characterised by migrant and sweated labour partially committed to the industrial sector. The emergence of trade unions in the form of advisory bodies around the turn of the century and the legitimisation of trade union rights in 1926 was accompanied by a number of agitations over wage issues. The compulsory adjudication feature introduced in 1942 which was later incorporated in the Industrial Disputes Act made wage determination a subject for judicial

pronouncements and interpretations of wage legislation and judicial pronouncements became the leading influence governing wage determination processes. Post-independence wage legislation has been limited in scope and wage boards constituted by the Government proved ineffective because their recommendations were not enforceable. Collective bargaining has not been successfully experimented in most industrial organisations and is mainly confined to large well established industrial organisations in the organised sector. The need for national wage policy framework has been repeatedly expressed in various forums but it has yet to crystallise. Wages continue to be one of the most controversial issues in the field of industrial relations about 40% of the industrial disputes that arise in the country are traceable to conflicts over wage issues.

The present study was undertaken with a view to analyse the complexity of wage dynamics through a multi-disciplinary approach.

The main objectives of the present study were:

1. To identify significant factors influencing remuneration of workmen in industrial organisations in India and to study the relationships between factors found to be significant.
2. To analyse intra-organisational and inter-organisational differences in wage level and wage

structure of industrial organisations.

3. To study the relationships between wages of different categories of workmen and to relate wages with organisational and national variables,
4. 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.
5. To explore the dynamics of wage determination processes and modalities of wage systems to highlight aspects which have a bearing on the development of a national wage policy framework.

The present study also reviewed the literature on the subject to understand the emerging theory and current trends in remuneration policy and practice in India and abroad. Eight manufacturing organisations located in Karnataka, Tamil Nadu, Bihar, Orissa and Andhra Pradesh were covered by the present study. Of these four are in public sector and four in private sector. Factual/statistical information about the organisations was collected from various records and documents made available by the organisations and also through discussions with the

authorities. Appropriate questionnaires were developed to obtain perceptions/views of different categories of employees both from amongst management personnel and workmen. Respondents were personally interviewed using the scheduled questionnaires especially designed for this study. The views of trade union leaders, Government officials and employers' representatives were also obtained. The detailed methodology is discussed in Chapter 3.

Some of the important findings are highlighted as follows:

MAIN FINDINGS:

1. The ratio between the earnings of lowest paid workman and the highest paid workman has declined over time and is comparable across the organisations covered in the present study at about 1:2 in 1981. With continuous increases in wages of industrial workmen, the junior management cadre has become increasingly unfavourably placed with respect to them. The present study found graduate engineers earning less than workmen of the same age in all organisations except P1.

2. Changes in the level of earnings over time are not significantly traceable to intra-organisational factors although the index of production was found well related with earnings of workmen in unskilled and semi-skilled categories and capital intensity was found well related

with changes in the level of earnings of skilled categories. The main cause of changes in wage level has been the dearness allowance linked with changes in cost of living as measured by the most commonly used index, the All India Consumer Price Index (AICPI). Within agreement spans, the wage level changes on account of annual increments in basic wage and changes in dearness allowance linked to the cost of living index at pre-determined rates of neutralisation. Since the basic wage and dearness allowance constitute a stable proportion of total earnings the changes in the level of total earnings can be estimated on the basis of dearness allowance which has been the single most contributing component in wage variations. At the time of wage revision, the merger of dearness allowance with basic wage and the increase in basic wage in the process of collective bargaining causes upward shifts in wage level periodically. The proportion of dearness allowance merged with basic wage during revision is related to the change in cost of living index in the time period preceding the period of review. In this manner the trend of the All India Consumer Price Index provides a good indication for estimation of wage cost escalation during a wage contract period as well as at the time of wage revision. The AICPI computed by the Labour Bureau on the basis of a consumption basket determined in a family budget survey in 1958-59 is much criticised by workmen and trade union leaders as under-estimating the real increase in cost of living. In the absence of any other alternative equally acceptable national index

of changes in consumer prices, it continues to be one of the most used pieces of statistics in the country and affects changes in wage level for millions of industrial workers.

The All India Consumer Price Index has been found to be significantly related to population, money supply and national income in that order. Since national variables are found to contribute to variation in an index which is the main factor for changes in wage level, wage determination even at organisational level is capable of being influenced through integrated public policy at the national level.

3. The periodic merger of large and fairly uniform amounts of dearness allowance into the basic wage across categories alters the ratio of earnings between different categories of workmen and between workmen as a group and management cadre. Junior management levels are adversely affected particularly in organisations where members of management cadre are not provided with variable dearness allowance and yet face erosion in real earnings in the environment. This would also be true of non-industrial occupations where institutionalised protection of part erosion in real earnings is not provided. Variable dearness allowance in India is paid to Government employees for every 8 points rise in the 12 monthly average of the AICPI and in the case of industrial workmen it is generally payable at Rs. 1.30 per point rise on **the quarterly**

averages over the merger of basic wage at 275 points as recommended by the National Commission for labour (1969).

4. Significant relationships were found to exist between wages of certain categories of employees pointing to three distinct key wage groups - unskilled, skilled and clerical. The core argument in wage revisions is focussed on the per capita gain in earnings, and the minimum for the lowest paid workman with wages of other categories upto skilled level being derived on the basis of accepted differentials with the minimum of unskilled workman. The earnings of skilled workmen are in the determined category from which are derived changes in the earnings of highly skilled, shop floor supervisory and other associated categories. A third determined wage category is the clerical category which traditionally represented a white collar elite. With increasing emphasis on skill and technology, the clerical workmen have continued to maintain increases in earnings attributable to white collar union leadership looking after its interests. There is a noticeable tendency for even white collar trade union leadership to be progressively replaced by blue collar leadership and it is not difficult to visualise that the advent of technology will alter the relationships which earnings of clerical workmen bear with other categories over time.

5. Three models for determination of wage level have been built as no single model can explain the complex phenomenon of wage dynamics. Taken together, the models developed explain wage level in an organisation as a function of intra-organisational variables, relate wages of different categories of employees to focus on key rates in job clusters and estimate changes in AICPI the interface variable through which national variables influence wage level in organisations.

6. A yardstick of per capita gain in earnings at the time of wage revision is the quantum of per capita gain at the time of the previous revisions since expectations of workmen are exponentially linked with it.

7. Earnings have been found to be the most important factor affecting job satisfaction of workmen. Management personnel also indicated that they are aware of this although earnings have hitherto been relegated among job satisfaction factors to a low priority in practiced theory because it is generally held that non-wage motivating factors are more important. Poverty and unemployment being relatively high in India the situation is significantly different from other parts of the world.

8. There is a lack of consensus amongst management personnel, workmen, trade union leaders and government officials on rational and acceptable earnings criteria with the exception of overwhelming acceptance of the cost of

living factor. There is considerable difference in the views of trade union representatives internal to organisations and external trade union leaders as also between management personnel and employers' representatives on earnings criteria norms. The above mentioned differences may be considered the main obstacles in the way of evolving a universally acceptable set of criteria for the development of national wage policy.

9. With regard to process influences there is indication that the popularity of unit level collective bargaining within a federated framework will reinforce wage determination. All groups of respondents were opposed to multiplicity of trade unions in a unit and were in favour of statutory measures to regularise recognition of majority trade unions as bargaining agents to strengthen the collective bargaining process.

10. The importance attached to job skills, and job responsibilities by both workmen and management personnel makes it possible to visualise the evolution of rational and acceptable remunerations criteria in organisations.

### CONCLUSIONS

1. Changes in wage level have hitherto been mainly related to variations in the cost of living index which eclipses other factors which were also observed to be related such as capital intensity, skill mix and the index of production.

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 process makes 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 income 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.

### OVERALL CONCLUSION

The overall conclusion drawn from this study is that the increasing cost of living index has been the main factor influencing wage determination to the extent of eclipsing other rational criteria. It is, however, possible to make compensation for eroded real earnings contingent on performance norms for individuals, groups and organisations. Intra-industry and intra-sector similarities indicate that multi-tier wage determination processes can make wage policies in organisations, industries and sectors more socially responsible and also aid towards optimising human resource utilisation for enhanced organisational performance.

The findings and conclusions that have emerged from this study may help the different interest groups involved such as management personnel, workmen and trade union representatives to develop structured rationale considering the various complexities highlighted by the study. It may also help national trade union organisations, employers' representatives and the government in formulating a national wage policy framework.

Wage determination is a dynamic process and various socio-economic aspects and perceptions, views and aspirations of interest groups involved influence the rational and acceptable criteria norms for wage determination.

There is a need for ongoing research and review from time to time. Although an attempt has been made to diagnose the existing climate of wage determination and to analyse wage dynamics in typical large manufacturing organisations in the present study, there is considerable scope for further studies at both micro and macro level in the specific context of the environment that exists in countries like India.

ANNEXURE I: QUESTIONNAIRE

SCHEDULE A - SECTION I

I. GENERAL INFORMATION

1.0. Name of the organisation \_\_\_\_\_

1.1. Registered address \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

1.2. Year of incorporation \_\_\_\_\_

1.3. Place \_\_\_\_\_

1.4. Type of Industry \_\_\_\_\_

1.5. Nature of enterprise

1.51 Public sector/Private sector/Joint sector,  
any other \_\_\_\_\_

1.6. Geographical spread of the  
organisation (Year of inception  
of units)

1.61. Head office \_\_\_\_\_

1.62. Production units \_\_\_\_\_

1.63. Marketing units \_\_\_\_\_

1.64. Other offices \_\_\_\_\_

1.7. Names of competitors

<u>Name</u>	<u>Market share</u> (in percentage)
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1.8. Organisation structure:

<u>At Head Office</u>	<u>At Unit concerned</u>
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II. FINANCIAL INFORMATION

	1973	1974	1975	1976	1977	1978	1979	1980	1981
2.1. Gross turnover									
2.2. Net turnover									
2.3. Profit before tax									
2.4. Profit after tax									
2.5. Net worth									
2.6. Gross investment in Plant & machinery									
2.7. Total gross fixed assets									
2.8. Return on capital employed									

III. EMPLOYEE INFORMATION

	At in-ception	1973	1974	1975	1976	1977	1978	1979	1980	1981
3.1. Total number employed in the organisation										
3.2. Total number employed at unit under review										

(Contd.)

- A. Of which workman in-ception 1973 1974 1975 1976 1977 1978 1979 1980 1981
- At
  - Unskilled
  - Semi-skilled
  - Highly skilled
  - Shop floor supervisory
  - Junior clerical
  - Senior clerical
  - Total
- B. Management staff (Total)
- C. Intermediate categories (total)\*

Includes

(Mention designations)

E E  
P S  
F\* I\*\*

Wage/ Cover- Cove-  
day age rage

Average number of Casuals employed: -----

Average Number of Contract Labour employed: -----

\* EPF = Employees' Provident Fund  
\*\* ESI = Employees' State Insurance

### 3.3. Designations and grades

Number of persons in each category at unit and total for the organisation

Desig- Total No. of employees Total No. of employees  
nations in organisation at the unit

(1973-75, 1976-78, 1979-81)

Unskilled  
Semi-skilled  
Highly skilled

(Contd.)

## (3.3. Contd.)

Shop floor  
supervisory

Junior clerical

Senior clerical

## 3.4. Average overtime hours typically worked by

Lowest paid un-skilled workman	-----
Semi-skilled workman	-----
Skilled workman	-----
Highly skilled workman	-----
Junior clerk	-----
Senior clerk	-----
Shop floor supervisory	-----

## 3.5. Please give a copy of your previous three wage-agreements governing the terms and conditions of employment of workmen

## 3.6. Trade unions

<u>Sl. No.</u>	<u>Name</u>	<u>Reg. No.</u>	<u>Year of origin</u>	<u>Affiliation</u>	<u>Recognition</u>
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Activity

(in terms of industrial dispute raised, membership, etc.)

## 3.7. Industrial disputes (1973-81)

Year No.	1973	1974	1975	1976	1977	1978	1979	1980	1981
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Year	Period	Type*	Total/partial**	Loss in Rs.		
				To Com-pany	To em-ployees	To Govt.

## Mode of settlement

Bila-teral	Tripar-tite	Adjudi-cation	Voluntary withdrawal
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\* A - Wages; B - Conditions of work;  
C - Discipline; D - Others

\*\* If partial persons affected in parenthesis

## 3.8. Indices:

	1973	1974	1975	1976	1977	1978	1979	1980	1981
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Absenteeism\*

Manpower-  
Unavaila-  
bility\*\*Annual emp-  
loyee turn-  
overAccident  
severity  
rate @Accident  
frequency  
rate &Production  
(Quantum/  
unit of time)

\* Annual percentage of unauthorised absence; \*\* Annual percentage of total absence = authorised plus unauthorised;

@  $\frac{\text{Total man-days lost} \times 10^6}{\text{Total man-hours worked}}$  Fatal = 7500 man-days lost

&  $\frac{\text{Total number of lost time accidents} \times 10^6}{\text{Total man-hours worked}}$  where accident

leave greater than 72 hours.

SECTION II

CATEGORY\*

4.0. DETAILS OF WAGES:

	1973-75 (t <sub>1</sub> )	1976-78 (t <sub>2</sub> )	1979-81 (t <sub>3</sub> )
Min.			
Mode			
Max.			

1. Consolidated/basic wage
2. (a) DA applicable/not  
(b) Is DA linked to any index-details  
(c) DA slabs if any  
(f) Any fixed DA (please mention amount)
3. (a) Personal pay/not  
(b) Personal pay slabs if any
4. (a) Rent free accommodation/not  
(b) Accommodation at concessional rent/not  
(c) House Rent Allowance
5. Other cash allowances  
(Please specify item and amount)

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\* Information was collected and compiled for seven categories of workmen, (1) Unskilled, (2) Semi-skilled, (3) Skilled, (4) Highly skilled, (5) Shop floor supervisory, (6) Junior clerical, (7) Senior clerical

	1973-75 (t <sub>1</sub> )	1976-78 (t <sub>2</sub> )	1979-81 (t <sub>3</sub> )
	Min. Mode Max.	Min. Mode Max.	Min. Mode Max.

6. Monetary Incentives  
(Please specify type and amount  
against each eg: Production  
Incentive, Attendance incentive  
etc.)

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Min. . . . .

7. (a) Extra statutory  
Annual Bonus

(b) Basis of bonus

(c) Amount

8. Any other items

(a)

(b)

(c)

9. (a) Annual leave quantum

( i) Accumulation upto  
(ii) Encashment upto



A . . . . . MIN. . . . . MODE . . . . . MAX.

C Subsidised Food/Free Food

D Education assistance

- 1. Self
- 2. Children

E Loans eligible

(a) Housing

(i) Amount

(ii) Rate of interest

(iii) Period of repayment

(iv) Conditions of eligibility

(v) Any other conditions

11. (E) (b) Vehicles

(F) Advances paid by company  
(Please specify nature and amount against category)

(G) Grants by Company to employees' societies  
(Please specify nature and amount against category)

(H) ----- (Any other)

MIN.

MODE

MAX.

- 12 Terminal benefits
- (a) Retiring age
  - (b) Whether under employees Provident Fund Scheme
  - (c) If (b) not applicable details of scheme
  - (d) Whether under payment of Gratuity Act/not
  - (e) Details of Gratuity, if (d) not applicable
  - (f) Pension Scheme - details
  - (g) Insurance Scheme/other than EDLIS - details
  - (h) Amount covered
  - (i) Retirement gift - value
  - (j) ----- (any other)
  - (k) ----- (any other)
13. Any other items of employee cost to Company
14. Any special feature of employee earnings.

MIN. MOD. MAX.

- 15 Increments
- (a) Is increment automatic
  - (b) Maximum No. of increments at a time
  - (c) Minimum No. of increments
  - (d) Special increments allowed?
  - (e) Service increments?
- 16 Appraisal System
- (a) Whether exists
  - (b) Whether increments dependent on appraisal
- 17 Other information
- (a) Any job analysis methods used for category
  - (b) Recruitment:
    - Candidates from within Through Advertisement
    - Preference for sons/daughters of ex-employees
    - Minimum qualification stipulated
    - Minimum experience stipulated

