CHAPTER II

THEORITICAL FRAMWORK OF THE SUBJECT.

(1) ROLE OF WAGES:

Wage involves economic and non-economic factors. From the point of view of employees, wages are important not only because they constitute major portion of their income and determine standard of living , but also because they determine their status and position in society. Employees are not only interested in money wages but also in real wages. From the point of view of management, wages are a major item of cost and determine to a large extent the amount of profits. This is a major cause of conflict between management and its employees. As a seller of Labour, the employee tries to sell it at the highest possible price, while the managements wants to purchase it at cheaper rate. In addition to this, wages can be used to provide incentives to increase productions and to attract employees.

The problem of wages should be newed from the point of new of community and the economy also. It is true that wages constitute an item of cost to an employeer and it is natural that he should be interested in minimising it. In a free market, where the bargaining power of an employer may be able to pay the lowest possible wages. Low Wages will reduce efficiency of the employees and will result in increased sickness, slum dwelling and other evils associated with poverty. The social cost of these evils may be greater than the savings in cost obtained by the employer.

From the point of view of economy, wages as a price of labour, perform the functions which are performed by any other price. In a capitalist economy, socialistic economy , relative wages performed the most important functions of allocation of labour among various industries, occupation and regions. Employees are attracted to high wage paying units. The effect of wage on consumption, employment and prices are also important. This aspect is important in an underdeveloped economy, where it may become difficult greater employment and higher wages and it may become necessary to guard against the inflationary problems caused by wages increased.

(2) WAGES - MEANING AND DEFINITIONS:

In its broadest economic meaning the term wages is used to describe all types and forms of compensation for human resources. In somewhat most resticked economic wage, wages are regarded as the accepted method of paying those who work for and under the direction of other's as production, shop or hourly rated. In this sense wages are distinguished from the fees of self employed profession workers and employees and from the sialaries of supervisors, managers and clerical and office employees.

DEFINITION OF WAGES-

1) According to Dale Yoder and H.G.Heneman [1] :

"The compensation of wage earners the number of employees who are the tools and equipment of their employers to produce goods and services that are sold of their employers. "

2) <u>UNDER THE PAYMENT OF WAGES ACT</u>[2]-

"Wages means all remunerations (whether by way of salary, allowances or totherwise) express in terms of money or capable of being so expressed which would it the terms of employment, express or immplied, were fulfilled be payable to a person employed in respect of his employment or of work done in such employment and includes."

a) Remuneration payable under any award or settlement between the parties or order of a court.

b) Remuneration in respect of overtime, holiday work or any leave period.

c) Additional remuneration like bonus.

d) Any remuneration paid in terms of contracts.

3) <u>MINIMUM WAGES ACT</u>-

Wages means all remuneration, capable of being expressed in terms of money, which would, if the terms of the contract of employment express or implied were fulfuilled, be payable to a person employed in respect of his employment or of work done in such employment and includes house rent allowances but does not include the value of -

a) house accomoudation, supply of light, water, medical attendance etc; or any other aminity excluded by government.

b) contribution paid by employer such as pension,P.F,etc.

c) travelling allowance or travelling concessions.

d) Any gratuity payable or discharge.

4) <u>UNDER WORKMAN'S COMPENSATION ACT</u>[4] :

"Wages includes any privilege or benefit which is capable of being estimated, in money, other than a travelling

ing allowance or a value of any travelling concession or contribution paid by the employer of a workman towards any pension or provident fund or a sum paid to a workman to cover any nature of his employment.

5) EMPLOYEES STATES INSURANCE ACT[5] :

The definition of wages under the above act also inculudes all remuneration paid or payable in cash to an employee in terms of the contract of employment express or implied.

6) THE FACTORIES ACT[6]:

In section 9 of the factories act, while laying down the condition for the payment of extra wages for overtime. It has been stipulated that the ordinary rate of wages means the basic wage plus all allowances to which the worker for the time being is entitled to accept the payment of bonus.

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1 to 6 P.Ghosh - Personnel Administration in India.

DEFINITION OF SALARIES :

Salaries as compensation for working, are paid uniformly either on monthly or annual basis where in the output of work cannot be measured in terms of output. The managarial members of the sppeervisory staff, higher paid technical staff who are members of the management, and clerical employees who are paid on a long term basis then wages without any reference to fluctuations in mmployment, receives salaries.

DISTINCTION BETWEEN WAGES AND SALARIES :

The amount of money that is paid as wages to the workers depends on the rates of wages. There may be an hourly rate, or time rate. Under the time rate system worker receives compensation on the basis of time spent on work. There is also a system of wage payment by piece rate, where the workman receives their compensation on the basis of their output. There is also incentive wage plans for increased output. Wages payment are made on weekly, forenightly or monthly basis.

Allsalary payments are on the basis of a long term such as a month and occationally a quarter or a year. In the case of salary payments uniformity is observed in regard to long term basis, without any reference to the measurement of output or fluctuation in employment.

The total earning of an individual may vary related to piecework system or if there is a wage incentives scheme in operation, the earnings of the individual workers coming under the scheme many vary consideratly. Similarjy, the total take home pay may also vary consideratoly depending upon the deductions made from an individual's salary or wage packet. The society dues, provident fund, ESI dues, deduction on account of repayable loans from provident fund or Co-operative Society, payment of special premimum for group medical insurance etc.

WAGE AND SALARY ADMINISTRATION AS A PART OF PERSONNEL - ADMINISTRATION :-

Personnel Administration is an integral but distinctives part of management, concerned with people at work and their relationships within the enterprise. It seeks to provide relationship within the enterprise that are conductive both to effective work and human satisfaction.

Wage and Salary administration constitutes an importants area of the personnel administrations. In private sector organisation, the personnel administration plays an important role in evolving fair and equitable wages and salary programme. Wage and Salary Administration policy of managements is concerned with the establishment and implementations of sound polies and methods of employees compensation.

Wage as a means of providing income for employees and as a cost of doing business for the employer have been assuming increasing importance in the modern complex and large industrial units. Since it is the only sources of income to the empoloyees. It determines their economic survival and status in the society.

Therefore, the amount of wage payable to employees determines their attitude towards their work and workplace. Thus, wage and salary administration is an important part of personnel Administration.

Para 74 of the memorandum submitted by Institute of personnel Management (U.K.) to Royal Commission Trade Union and Employer Association.(U.K.)

TYPES OF WAGES :

1) NOMINAL WAGES :

It is the amount of the money paid to a worker in cash for the efforts put in by him in any industry and no other advantages to the worker is made. This is also called money wage. The rates of wages at different places may differ from each other as per the availability of the workers and necessities of life. The amount of payment is so calculated that every worker should get actual worth of his services.

2) REAL WAGES :

It refers to the amount of necessaries comforts , luxuries and cash payment which a worker can get in returns for his efforts and work. For example uniforms, essential commodities, housing with free water and electric supplies Conveynance and other such facilities and generally provided by the factory, in addition to the money in cash. If all his amount as a whole isconsidered for wages, these becomes real wages.

3) LIVING WAGES :-

When the rates of wage are such that can meet some of the requirements of a Social family, like education, food, clothes, and some insurance against the more important mis-fortune alongwith prime necessities of life are called living wages.

4) FAIR WAGES :-

It is actually the wage which must be fair for the work of a worker and should provide him with other necessities of life in addition to food for this family.

The rates for the fair wages range between the minimum wage and living wage but between these two ranges the actual wages will depend on -

i) Production capacity of the worker.

ii) Rate in a surrounding area.

iii) The level of national income and its distribution.

iv) The place of industry in the economy of the country.

v) The bargaining power of employer and employee.

5) MINIMUM WAGES :-

Wages can not be raised beyond the capacity of industry to pay. The productivity of industry is the source from which wages are paid. At the same time, it cannot be forgotten that labour is a human being and from humaniterian point of view, he is to be protected. Hence, there is the problem of fixing a minimum wage for the worker. This minimum should be sufficient for allowing the worker to maintain himself according to his needs.

Minimum wages may be depicted as the wages, which provides not only for bare substands but something more than this. It must be sufficient for the preservation of the efficiency of the worker. It must also provide for a some measure of education, medical requirements and other amenities of life.

This is fixing a minimum wage. We have to take into consideration the cost of living. To ensure this in India, Minimum Wage Act 1948, has been force, where wages have been fixed for different parts of the country and this has forced employers to give not less then this fixed minimum wages to any of their workers.

THE MAIN OBJECTS OF MINIMUM WAGES ARE :

1. To protect those sections of the working population whose wages are very low and whose conditions are materially unsatisfactory.
2. To prevent exploitation of worker and to secure a wage according to the value of work done.
3. To provide peace in industry.
4. To improve the normal standard of living.

WAGE DIFFERENTIALS :

In any industry or office different workers or employees get different wages. Workers with some qualification engaged in similar work in different industries, get different wages or salaries. This different in wages is called wage-differentials.

REASONS FOR WAGE DIFFERENTIALS :-

1) Difference in marginal productivity of the workers.

2) Difference in qualification, experience and training of the workers.

3) Difference in skill and specialisation of the workers.

4) Difference in hardworks and risk involved in fulfilling the jobs.

5) Difference in degree of responsibility required for the jobs.

6) Difference in exploitation by the employer.

7) Availability of workers.

6) <u>THEORIES OF WAGES</u> :-

The problems of wages shoud be studied scientifically. There are different theories of wages according to which wages are determined. The wage theory has passed through three stages of development.

I. The 'Just Wage' of middle ages.

II. The Classical theory of wages. Under this theory, there are five theories -

a) Adam Smith's contribution to wage theory.

b) The substance theory of Ricardo.

c) The standard of living theory.

d) The wage and ufund theory.

e) Residual claimant theory.

III) NEO-CLASSICAL THEORIES OF WAGES :

Under this theory there are also five theories -

1. The Marginal Productivity Theory.
2. The Bargaining theory of Wages.
3. Taussing's theory of wages.
4. Kalecks theory of wages.
5. Contribution of Keynes to wage theory.

I.) THE "JUST WAGE" OF MIDDLE AGES:

This was the first stage marked as the just price during the medival period of church domination. The 'June Price' means the price which would enables the employee the maintiain himself and his family according to their established position in the community. The just price was prepared by churchmen and given moral importance. It is a theory from which both intellectual and natural progress were absent. Inthis theory, there was just historical interest. In this way, the just price of the middle ages was a wage concept rather than a theory of wages.

II.) THE CLASSICAL THEORY OF WAGES :

1. ADAM SMITH'S CONTRIBUTION TO WAGE THEORY :

Classical economists provied the theory after the publication of Adam smiths 'Wealth of Nation' in 1776 and carried through 19th century. Adam smith stated that, the full value of any commodity is equal to the quantity of labour which, is enables him to purchase.

Therefore, labour means the real measure of exchangeable, value of all commodities. Labour was the first price that was paid for all thinsgs. The real pric2e of every thing is the toil and trouble of acquirity if what is bought with money is purchased by labour by the toil of our own body. This theory became the main point in the doctrins of Karl-Marx. Smith enquires into the question that what determines the out come of the bargain between masters and workers. A Master Keep wages down to the minimum possible level. Considering the minimum level, Adam Smith suggest that to bring up a family the labour of husband and wife together must be able to earn something more than their own maintainances. Therefore, we consider here the physical substance theory, Adam Smith has analysed the causes of differences in wages. As long as there are dis-advantages of occupations, the wage must differ.

2) THE SUBSISTANCE THEORY OF RICARDO :

This theory was first formulated by that or those who have seen the condition of Frech labourers, linving on bare necessaries, concluded that nature itself was working out-wages to the subsistence level. The theory was commonly accepted during 19th century. Adam Smith have accepted this theory of wages four decades later, Ricardo wrote that the natural price of labour is that price, which is necessary to enable the labourerss to subsistence and prerpetuate their race without either increase or decrease. The German economiceet Lassalle called it Iron law of wages. Karl marx made it the basis of his theory of exploitation. According to this theory wages are just sufficient to maintain the worker and his fa family at minimum subsistence. It was rise above this level the workers are encouraged to marry and have larger families. The larger supply of labour bring wages down to subsistence level. on level, marriages and births are discouraged, and labour supply is decreased until wages rise again to subsistence level. The subsistence theory is based on the malthusian law of population. It is assumed that every incerese in wages must be followed by a higher standard of living. This theory has not given the importance of productivity. Because, productivity of labour determines his remuneration. The subsistence theory itself is not a corret explanation of wages. The rate of wages cannot be permanently below the subsistence. It have therefore indicateds the maximum level.

3. THE STANDARD OF LIVING THEORY :

The subsistence theory was modified during the 19th cnentury Wages should be to the standard of living of the workers. Karl-Marx stated that the value of labour informed by two elements i.e. physical and social. To maintain and produce itself and to keep physical existence, the worker must receive the necessaries ofor living. The value of labour in every country is determined by a traditional standard of life was determined by the mode of production, which is not static. Thus, standard of living, by a reducing supply of labour and increasing demand of labour. Further the higher standard of living increases the marginal productivity of labour. The standard of living depends on wages as wags depends on standard of living higher wages are paid for higher producitivity.

4.) THE WAGES FUND THEORY :

J.S. Mill has developed this theory. Wages depends upon the relationship betweensupply of population and capital available to employ workers. Population and capital means those members of labouring population who render services on hire. And capital means the amount to be used for the payment of wages i.e. circulating capital only. According to this theory wages cannot rise unless wage fund increases or number of workers decreases. If wages und is fixed then wages will rise due to reduction in number of workers. According to the theory the efforts of trade unions to raise wages are worthless. But the theory is creticised and stands rejected now. The main criticism is that it ignores the possibility of increased wages leading to greater efficeiency. Extra remuneration may be given due to greaster productivity. It is wrong that wages are decided by stock of capital. Wages chages with the prices of labour. The theory does not give the reasons of wages different occupations.

5.) RESIDUAL CLAIMANT THEORY :

America economist worker has advanced this theory. Wages are theresidue left over after the other factors of production have been paid. Worker believed in the fact that rent was fixed by differential principle of Ricardian rent theory. Profits are decided by degree of skill of enterprise.Interest is determined by the return which saves capital accumalation out of the tatal production. Therefore, after rent, profits and interest have been paid. The remaining amount goes to worker as wages. It is due to greater productivity of labour, tohe national divident increases , then wages will also increase. The theory accpt the possibility of increase increase in wages through greater efficiency of labour. The main drawback of the theory is that wages ignores the spply of labour consideration in determining.

III.) NEO-CLASSICAL THEORIES OF WAGES :

A usterial school of Economics was formed in modern period of developed theories during the modern period are gien as under :-

1) THE MARGINAL PRODUCTIVITY THEORY[1] :

This theory is the most generally accepted theo y of wages, to day developed by Prfo.J.B.Clark. According to him the price of labour was decided by its marginal utility to the employer. The wages paid are equal to the productivity of the last worker hired or to the marginal productivity of the labour force. The theory explain not only the general level of wages for various the grades of labour. The therory assumes that the employer will continue to hire each of the productive factor upto the point where the cost of the last additional unit of each factor equal to the value of the additional product to him. The marginal productivity of a factor establishes a limit to a price profitable to employer. It is assured that employer will distribute their business expenditure among the various factors of production according to their marginal productivity.

Prof. Marshal views that, wages of every class will be equal to the net product due to additional labour of the marginal labour of that class but in increasing returns. The payment of wages on the net product is disadvantage for an employer to employ extra worker. To attract the extra worker the employes has to offer higher wages and has to pay an equally higher wages to all other workers.

The marginal productivity theory is based on certain assumptions, and is true only under certain assumptions like, perfet compitition, perfect mobility of labour, homogeneous character of all labour, constant rate of interest and rent etc. But, actural world is dynamic. Therefore assumptions will not hold good in changing conditions. Competition is never perfect. Mobility of labour is restricted, all labour is not of the same grade. Remuneration to other factors of production changes and prices of products of labour also changes. Therefore, this theory has little applicability in reality.

2.) THE BARGAINING THEORY OF WAGES :

The theory has been developed recently, since 1933 due to the disadvantages of marginal producitivity theory. The bargaining theory states that, wages are decided by the relative bargaining power of employers and employees workmen should combine and resist the down word pressure on wages.

Equality of bargaining factor through collective effects is the only factor to avoid the bad effect of competition. Webbs stated that the marketing conditions determine the condition of employment, occurs in a claim of bargaining linking of manual worker capitalist, wholesale trader, shopkeepers and the customers. The validity of this theory depends upon the accuracy and adoptability. It is doubtful whether it is the most important influence in wages determination, it is not a complete theory.

3) TAUSSING'S THEORY OF WAGES[3] :

American Economist Taussing has modified marginal productivity theory and developed the marginal discounted product of labour output. Because production takes time and final product of labour cannot be obtained immediately. But in meantime workers must be supported. Employer does not pay the full amount of marginal product of labour. He deducts certain percentage for the risk he takes. According to Taussing this production is to be made at the current rate of interest. The present value of product is decided by discounting its future returns. But this theory has also weaknesses. It is a problem of real life. The joint product is discounted at current rate of impeffect. The rate of interest is a result of advance to workers, because it depends upon the excess of what workers produce in the future, over what is advance to them in the present Taussing suggest that we determine the rate of interest of marginal productivity by the rate of time and with the interest determine discount of the marginal productivity of labour.

4) KALECKIES THEORY OFWAGES[4]:

This theory has been developed by the polish economist Dr. Michael Kalecki just before the second war. He stated that it was the sum of the expenditure of the capitalist class; that decided the size of the capitalist income wages is a residual part. The level of real wages depends upon what was left out of total product after capitalist class had its cuts. This theory throws light on the demand side only. It does not consider the degree of monopoly. It is not clear whether collective bargaining by trade unions influence on the degree of monopoly. Because such trade unions may push up money wages and the existing degree of monopoly will always enable business enterpreneurers to raise their selling prices.

5) CONTRIBUTIONS OF KEYNES TO WAGE THEORY[5]:

Keynes has rejected the classical theory ofwages. He stated that a flexible wage policy maintains a state of continuous full employment. A reduction of wage will mean some reduction of prices leading to further wage cuts. It results in the postponement of investment and consumption. He does not believe free market wage adjustment at individual level and also collective bargaining in factor of nationwide regulation.

To stabilise earnings the Keynesian wage analysis is a part of continuous full employment.
The three essential ideas in this theory may be :1) National Wage Policy 2)Stable (rigid) money wage level in the short run and 3) A raising money wage level in th e long run.

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1 to 5 T.S. Bhagoliwal, Economics of labour and Social Welfare.

FACTORS INFLUENCING LABOUR REMUNERATION :

There are several factors which influence the wage and salary administration problem. These factors are as follows -

1) RELATIONSHIP AMONG WAGES,PRICES AND PROFITS :

Wages, Prices and profits are negatively related, while the wage is a reward to employee and hence they are interested in every increasing and high standard of wage scales- it is looked by management as an important factor of cost which by increasing expenditure reduce profit margin and increases the price of the commodity.

In profits, are interested its shareholders but in price, the consumers. Hence there is a conflict of interest between employees, shareholders and consumers over the determination of wage scales and structure. It is therefore a complex problem to reconcile the three interests.

2) ATTITIDES OF EMPLOYERS UNIONS AND EMPLOYEES :

Again there is a difference in attitude towards wage structure and scales of employers, union and employees and its reconciliation becomes a practical problem. The collective bargaining is an important factor affecting wage problem.

In principle Management, union, employees and public agree that there should be adequate payment interms of economic security, minimum guarantee payment, adajustment of wages with cost of living special allowances in case of emergencey needs be made. But in practive, it is difficult to evaluate the economic needs, basic for economic security and adjust cost of living index with wages, scales for obvious reasons.

3.) GOVERNMENT'S POLICY AND LEGISLATION :

The Government are not now passive onlookers towards the labours, the labour problems but they concerning labour and labour welfare. Wage and salary is an important aspect of labour legislation, minimum wage payment, equitable methods of payment of wage, fair wage payment, stability of wage structure, extra labour welfare and security compensation are some of the principal aspects which are regulated. Hence the probelem is not purely a financial one but also requirs a co-ordination of legal provisions.

4) PRODUCTIVITY :

In principle, producitivity, as a basis of wage payment in most equitable and fair. But in practice it is difficult to measure it fairly in all the cases. Then it applied in each case, it will provide a very comprehensive, complicated and unstable structure, moreover the legal provisions and stabilisation policies and labour unions may oppose it.

5) PREVAILING LABOUR MARKET CONDITIONS AND RATES :

The determination of wage and Salary rates also depend upon the supply of and demand for labour in the market and the rates and the scales offered by other organisation.

6) PSYCHOLOGICAL AND SOCIOLOGICAL FACTOR :

Man is not solely motivated by money. Psychological and socilogical factor, influence the wage problem in a number of ways. Since wage level is a symbol of status. It is a measure of others success in comparison with each. This being so relative wages become as important as absolute wages. Even if a person gets adequate wages, but and which probably he would get elsewhere but if he feels he occupies a labour position and status and he is not properly recognised by the managed, he may remain dissatisfied or leave thejob. Similarly, if the relative wages are lower in organisation as compared t o others laving almost the same functions and responsibilities or their status in lower, they remain dissatisfied.

All the above factors and numerous others such as ability of the organisation to pay cost of labour substitutes, incentives programmes etc, influence the problem and new a happy reconciliation of conflicting interest and proper balancing.

NATIONAL WAGE POLICY :

Wages and earnings play an important role in the economic development of the country. The prime object of economic activities in any country is to attains a better standard of living for the wage earners by increased individual real earnings where by a large section of the employed population can satisfy their various needs and can live better and fuller life. Unempoloyment or under employment is an indication of the level of poverty in a country. Whereas real earnings can be considered as an index of economic stability of a nation.

To a worker it is his monthly income which really matters. Most of the Indian families have only one wage earner. In many communities, however there are two or three wage earners. In case, however the employment is not steady and the workmen are compelled to work at the low wage levels, the income may be inadequate to meet the income and expenditure and economic and social needs of a family . The size of the family is another consideration. Even, if a worker had adequate monthly earnings, he has to spupport a large family he may be compelled to live a life of mere subsistence along with the members of his family. The family planning movement in India is still at its infancy and majority of the Indian workers have large families. Poverty, frustvation, indebtedness often over shadow the satisfaction of human needs. We do recognise that in India the income inequality constitutes a real problem. Major prortion of the labour in India still remains unorganised and as such constitutes a threat to the economic security of the labour class as a whole. Very few Indian workers attain an income level where in they can visualise what constitutes a miximum at the same time, a dekcent standard of living. It is difficult to draw precisly a poverty line. By and large people in India are poor, why? What is the precise defini-tion of poverty? It is reported that inspite of the taxation major portion of the wealth in the private sector in con-centrated in the hands of a few families. Does it mean that their savings would flow in the capital market and thus would result in the better prosperity of the nation ? There are the questions for the economists and politicians to answer.

From the point of view of Industrial relations, we must recognise that poverty constitutes a great threat to democracy. The wage policy in any counntry should be a rational one based on social and economic condsideration. The national policy should ensure that the workers because of lack of effective organisation or lack of bargaining power are not compelled to work at unreasonable low levels of wage and to live a life at human level of existence. They are however human beings and like any other human beings anywhere in the world, they have their attitutdes, frustration dissatisfactions and resentments.

If they are unleashed, they may endanger the very foundation of demorcracy and result in class conflicts. If we fail to raise the real wage level to a level where in the workders do not have ad equate command over materi -al resources to meet their needs. This may beconsiddered as the very negation of the principles ofsocial economic justice. How can the poverty striken workers attain a level of efficiency where by they too can contribute their quta towards productivity. Inefficient workforce always constitutes a danger to the economic prosperity of a nation and India is no exception.

OBJECTIVES OF WAGE POLICY :

The concept of paying as little as possible with a view to maximise profit is no larger valid. These days, wages are udsed as a method of increasing profit ability through increase in productivity induced by suitable wage adjustment. A pourposeful wage policy should help in achievement of the overll objectives of the firm. The objective of profitability, efficient services to the consumer, healthy relation with labour, less labour turnover, better quality of work, high employee motivation are the major considerations governing the policy.

Human dignity, social economic equality, financial capacity are the prime factors oto be borne in mind in designing a wage policy or compensation plan.

CRITERIA OF WAGE FIXATION :

1) PRODUCTIVITY :

Productivity represents the contribution of the workers towards increased output. Wages, it is felt, should be commensurate with the productivity of the respective workers. Wages are fixed and further raised in proportion as the output rate increases.

Productivity is the yard stick of labour efficiency wage linked incentive and stimulates for quicker, accurate and higher performance wages fixed according to productivity would also helop the firm in keeping close grip over costs.

2) COMPARATIVE WAGE LEVEL :

Wages are fixed on the pattern followed in other enterprises. Comparative wages levels are used boths by labour and management to prove their contentious in any bit ater of negotiations for wage fixation. Wages paid by competing firms or other enterprises for particular type, quantity, quality of work are compared and categorised and accordingly wages in a given firm are fixed around the comparative level.

3) INDIVIDUAL NEEDS :

Wages are often fixed with a view to enable the worker to meet his needs. The wages should be sufficient as to sustain the wage earner and his family. Wages should give a recepint adequate purchasing power to possess the goods and services essentiol to satisfy his needs. Minimum wage ligislation enachted to ensure the workers the irreducible minimum income to fulfil their needs.

4) COST OF LIVING :

Changes in cost of living influence the availability of a real earning to the workers to meet t eir needs. Higher cost of living erodes the purchasing power of the workers. Hence, it is found desireble to the wage rates as per the variations in cost of living. Money wages are not important to satisfy the workers needs and real wage matter most. Hence, money wage should be adjusted to maintain the real wage.

5) ABILITY TO PAY :

Fair wages are linked with the ability of the frim. To pay subject to minimum subsistance and assured of productivity, wages are to be increased as the firms' net profitability increases. If the firm's earnings increases byond the reasonable level of return on capital employed, workers are said to be entitled to participate in the increased surpleus of course, the fair level of profits should be precisely determined first. The negative effect on management incentive to expend should also be avoided.

6) MAINTAINCE OF CONSUMERS DEMAND AND PROSPERITY :

It is also argued that wages should be increased in order to step up demand for the goods and eventually to stimulate higher wage is ignored. Arbitrary wage increase many bring about cost papiral, price influtiion and consequent erovision of purchasing power.

METHODS OF WAGE PAYMENT :

1) TIME OR DAY RATE SYSTEM :

This is the most common system found in practice. Under this the worker is paid on hourly, daily or weekly rate of wages. Thus, the remunerations depends upon the number of hours for which is employed and not upon the amount of his production.

ADVANTAGES :

1. There isno dispute about the amount of payment because it has been fixed from the very begining and the worker knows in advance what he is going to get.

2. There is no rough handling of machinery due to slow and steady working of workers.

3. The quality of work can be raised, very easily as there is no need of hurrying about the things to be done.

4. It possesses security form the stand point of the workers because they are sure to receive their wages irrespective of temporary reductions in personnel efficiency which may result from unavoidable accident or sickness of fatigue from outside activities.

5. The interpeption to work due to break down of machinery or some other part of organisation will not make workers to suffer from the loss of wage.

6. There are no difficult calculations to be made. If, there are many calculations to be made to arrive at the remuneration of a worker, it is possible that an illiterate worker may doubt the exactness of hisremuneration from time to time.

DISADVANTAGES :

1. The employer bears the loss resulting from slow and sluggish workers as they are paid the same wages irrepective of their output.

2. This system tends to reduce production unless a strict supervison is managed. Therefore, a well qualified and

and strict foreman is required to obtain a statisfactory productions.

3. The system tends to give higher production cost.

4. This system is not suitable in the case of lazy employees.

5. In this system, by and by efficient workers become inefficient by working with inefficent workers.

SUITABILITY :

In this system several times the minimum work becomes the maximum work every body may try to do the maximum work and no one may try to go above that because there is no immediate gain for hard and difficult work, hence this system leads to an extra cost of production and hence is suitable to pay the factory workeres such as foreman, supervisors, time keepers, cleaners, engineman, storekeepers and gateman etc. as the nature of work is such that time done can be taken as basis on which to remuneration time.

2) STRAIGHT PIECE WORK RATE SYSTEM :

This is an improvement on the time rate system. Under this, a feixed rate of wage is paid for each piece or unit produced.

ADVANTAGES :

1. It is simple in its working and the workmen can easily calculate their wages.

2. An inducement is given to theworkers to increase their production and thus the overhead expenses per unit ofpro-duction are reduced and margin of profit increased and scope for production of selling price is therefore increased.

DISADVANTAGES :

1. It is difficult of fix accurate piece work fate.

2. When the wages earned by workers are high, the employer may be inclued to reduce the rate, which will fraction between the employer and employee.

3. The worker puts maximum efforts to earn more and more which results in suffering of their thealth.

4. This causes displacement of labour as with increase in production the number of workers engaged will be reduced.

5. It will cause as increases in the waste of materials, because the workers will always try to obtain the maximum output.

6. Accidents due to hasty work, improper use of machines and tools in order to give more productive are increased and machines becomes out of order earlier.

7. His utilisation of costly machine and tools.

8. The quality of work may reduce. This can be checked if a rigid system of inspection is enforced.

9..It may cause over production and may result in losses, if there is only a limited demand for production in the market.

10. The entire benefit of the extra wage earn goes to the workman and not towards direct benefit to the employer.

11. When a lazy worker takes unnecessary long time for completing a given job, the employer will suffer extra shop and machine charges, thus increasing the overhead cost of production.

SUITABILITY :

Hence this system is only suitable where the worker repeats regulary a definite operation or produce the same type of products, constantly. Many employers in India have intoreduced this system and it has been found efficient easy and economical.

For the application of this system a careful time study is done and different types of workmen are observed for the time they take in carrying out the job. The standard time for the completion of job by the workmen of different calibres is found out for different work and the rates of the wage per job is decided such that every worker can get at least a minimum wage. The skilled and active workers are free to earn more by putting in more efforts.

WAGE INCENTIVES :

It is something that encourages a worker to put on more productive efforts voluntarily. Mostly workers are not willing to excert themselves to produce anywhere near thier full capacity unless their interest in work is created by some kind of reward. This, reward is called - 'Incentives'. The incentive is of course some kind of monetary reward, which is colosely related to the perfor - mance of a worker that there is increase in wage correspon-ding to an increase in output.

TYPES OF INCENTIVIES :

a) Financial incentives.

b) Non-financial incentives.

Financial Incentives :

If an employer finds that he will be earning an extra profit of Rs.25/-, if a particular work is finished in 5 hours less than perscribed time and the worker gets extra , payment, this extra payment isknown as 'Incentives.'

METHODS OF FINANCIAL INCENTIVES :

1) HALSEY PLAN : In this system, an hourly rate or daily rate is guaranted to the workers. A standard time is fixed for the performance of each job and the worker is paid the agreed rate per hour for the time spent thereon, plus a

fixed percentage of the time, he can save on the standard This plan is easy to introduce.

2) ROWAN PLAN :

This system is a synthesis of time and piece rate methods. It also guarantees a maximum remuneration on hourly basis , but to the worker who shows efficiency and economy in handling his job bounus is paid on the basis of the time saved in proportion to the total time set as a standard.

3) CENT PERCENT PREMIUM :

In this system, the standard time for the completion of a job is fixed and its rate of completion during this period is also fixed. Now, the worker who completes the job in the standard time, is is not given any incentives but those who complete thejob earlier get full payment for the time saved.

4) TAYLORS DIFFERENTIAL PIECE RATE SYSTEM :

This system was introduced by Taylor with two objects:
1. To induce the worker to produce upto their full capacity.
2. To remove the fear of wage cut.

In this system standard time is fixed for the pefromance of a piece work and those who do not complete the job in standard their time are paid at lower rate.

This system therefore gives and encouragement to quite active workers but punishes lazy workders. In this system, it is difficult to determine the standard of higher and lower production and thus the system may prove to be unjust to the workers.

5) MERRIC'S MULTIPLE PIECE RATE SYSTEM :

In this system, Merric divided the worker into three categories, namely- Beginners, aveage and first class workers and the different rates for them. The higher rates are paid to those who reach the standard. The standard rates are for those who reach at least 80% of standard and third rate isbelow the 80% output.

6) GANTT'S TASK AND BONUS SYSTEM :

In this system, first careful stduy of the job is made and from that study best condistions for the performance of job are determined. On the basis of their per - formance, standard output for a given time is set. Now if a worker can complete thejob in a given standard time, he receives wages for standard time and bonus ranging from 20to50% of a time taken. When a worker fails to produce the required output, he only gets his time rate without any bonus.

7) EMERSON EFFICIENCY PLAN :

In this system, premium is given to those workers who attain more than 2/3 of the standard output. In this standard output for the day is so decided that the average worker can complete at least 2/3 of the standard output.

In this mehthod, standards are made and worker get this additional incentive alongwith their basic dyay rate. A basic day rate is that of fixed irrespective of the wk workers capabilities and why worker gets at least the minimum day wage.

a) Upto 66% of standard output he gets no incentive.
b) Upto 80% of a standard output, he gets 10% of the day wages as incentive.
c)Upto 100% of the standard output, he gets 20% of the daywage as incentive.
d) Upto 120% of the standard putput, he gets 40% of the day wage as incentive.

8) PROFIT SHARING SYSTEM :

Profit sharing implies payment of a specific share of the worker in the annual profits of the firm, where he is employed. This system has been introduced by the employer in order to encourage their employees and by means of which the workers receive a share of the profits over and above their normal wage. Three basic type of profit sharing plans are in use -

1. Current (cash) profits are paid directly to employees in cash or by cheque or in the form of stock as soon as profit are determined.
2. Deferred profits are credited to employees Account tobe paid at the time of retirement or in particular circumstances (i.e. disability, death etc.)

3. Combination by which a part of the profit is paid in cash and a part is deffered and placed in the employees account in a trust fund.

NON- FINANCIAL INCENTIVES:

The financial and non financial types of incentives are complementary and must go together of satisfactory results are desired. The financial incentives must be supported by the non financial incentives , since only cahsh wages can not help in sloving the problems of industrial productivity. In order to create interest in a worker for greater and better output, non financial incentives must also be enforced and workers will also enjoy richer and fuller life.

Some of the non-financial incentives are -

1. JOB SECURITY :

Every worker is interested in job security rather than fixed amount of wage and salary. Productivity is high in those concenrn where workers have feeling of security.

2. RECOGNITION :

Fair and sympathetic treatment with workers in firm is required. In practice, good work is acepted with no comment and bad work always gets warning. Recognition is one of tools of motivation.

3. PARTICIPATION :

As a motivation tool participation travels under various ways such as demoratic management, consulative supervision, workers share in decesion making etc.

4. PRIDE IN THE JOB :

Although the increasing mechanisation of industrial process had made it extremely difficulty to utilise the appeal of pride in work. Yet most people do have the desire to feel pride in accomplishment. Various techniques can be employed to develop pride in work for recognition of supervisor performance often serves to motivate to sustained or higher efforts. Group pride in accomplishment can often be lelicited by praise and special recognition. Pride in the company or organisation is a much more nebulous concept. Good product, dynamic leadership fair treatment, survice to the community etc, serves to stimulate an employees pride in his company.

5. A sincere interest in subordinate as individual person when we show interest in others we get immediate response.

6. DELEGATION OF RESPONSIBILITY :

Delegation of authority and obligation to execute a given task often proves to be strong motivating factor The facts that the supervisor trust hais workers stimulete the workman to show better results.

7. OTHER INCENTIVES :

Under this caption may be included the incentives like quick promotion, provision of facilities for technical training within the concern, sending selected employees for training in other technical institues within the country as also abroad, provision of labour welfare amenities etc.

WAGE LEGISLATION IN INDIA :

PAYMENT OF WAGE ACT 1936[1]:

The payment of wage act was enacted in 1936 and it come in force in March, 1937. It was passed on the recommendation of Royan Commission on Labour 1931. The act applies to persons whose salaries and wages are below Rs.400/- p.m. It requires that fixation of wage period should not exceed one month. The payment of wage must be made not latter then seventh day of month, if the number of workers employed is less than ten and theth day if it exceeds this number, a discharge worker must be paid before the expiry of the second day from the day on which his employment turminates. All payments of wage must be made on a working day. Acts permit only authorised deductions e.g.

1) 3 paise fine in every rupee wage by an employee who is over 15 years of age.

2) Deduction from absence from duty.

3) Deduction for damage or loss.

4) Deduction for house accommodation and amenities provided by employer.

5) For recovery of advance.

6) For income tax, contribution for co-operative societies, Insurance premium or for purchase of government securities.

MINIMUM WAGE ACT :

This act was passed after independance, in March, 1948. This act empowers the central or state government as the case may be to fix minimum rates of wages payable to employees, including cleerks working in employees, certain schedule a employment. Object is to stop the exploitations of labour from employers. The act applies to following industries.

Woolen carpet making or showl weaving, rice flour or dal mills, tobacco or bidi making, plantation, oil mills, road construction or building operations, stone braking or stone crushing, lakh manufacturing ,mica works, public motor transport , farm labourers, dairies etc. Act empowers the appropriate Govt to add the list.

The acts provide for the fixation of -

1. a minimum time rate.
2. a minimum piece rate.
3. a guarranted time rate.
4. an overtimerrate for different classes of work and workers, occupation and localities and for adults, adolescents children and apprentices.

The central Advisory Board has fied a national minium wage ranging from Rs. 1.12 per day to Rs.2 per day.

PAYMENT OF BONUS ACT 1965[3]:

The payment of bounus act was passed in 1965.

Prior to its enactment, the president had promulgated an ordinance on May 29th, 1965. The act was passed on the recommendations of the Bonus Commission appointed by the Govt. of India in December,1962, under the Chairmanship of M.R. Meher. The Commission gave its report in January,1964.

The act applies to every factory irrespective of the number of employees working in it. It applies to other establishments, besides factory which employ 20 or more persons. It applies whole of the India except Jammu and Kashmir. A worker canget bonus, if he has been in employment for not less than 30 days in that particular year and his salary is upto Rs.1600/-p.m. for calculation of bonus however salary of Rs.750/-or more per month will be taken as Rs. 750/- only.

The act does not applies to R.B.I. Deposit Insurance Corporation, Unit Trust of India, Industrial Development Bank, Industraial Finance Corporation, State and Finance Corporation and Agriculture Re-Finance Corporation.

In does not applies to the employees of Universities and other educational institutions, L.I.C. etc; It does not applies to the institutions not established for making profit.

The act provides theminimum amount of Bonus payable to a worker. Earlier it provided that every employer will pay to every employee a minimum bounus of 4% of the salary or wages including dearness allowance earned by him in a year. By an ordinance in october,1972, the Government raised it from 4% to 8.33% for workers in all concerns whether they are loosing or gaining profits.

This ordinance was replaced bt the payment of Bonus (Amendment) Act, 1976. The amendment act, 1976 provides for payment of bounus on the basis of profit or production or productivity.

EMPLOYEES STATE INSURANCE ACT ,1948[4].

The act is applicable to whole of India except the state of Jammu and Kashmir. In the first instance, it covers all factories employing 20 or more workers and usigg power. Further it covers factories, to all employees whose monthly remuneration does not exceed Rs.400/- only. Thus, the act covers all manual, non manual skilled permanent, temporary, casual, badli, clerical , supervisory or administrative employees working in covered factories and whose total remuneration does not exceed Rs.400/- p.m. Indian army, Navy and Air Force are excluded from this act. Risks covered under this act include sickness, employment injury, including total accidents and maternity in case of woman employees.

The administrative body includes 31 members and includes representatives of employers and employees, in equal members and others representing the central and state Governments, medical profession and parliament. E.S.I. fund . In order to pay benefits to ensured person the act creates a fund called E .S. I. Fund. Fund is constituted to the employees contribution, employers contribution grants from the government, donations etc..

Employer's contribution is deposited on State Bank of India at the rate of 1 3/4 of total wage bill in implemented area and 1 1/4% in non- implemented areas.

Employees contribution depends upon the average daily wage employees devided into eight wage group and contribution related their wage group.

The act provides five types of benefits to the insured persons. These benefits are medical benefit, sickness benefit, disablement benefit, maternity benefits and dependent benefit.

THE EMPLOYEES PROVIDENT FUND ACT, 1952[5]:

This act was passed in 1952, initially, it was applied to six industries (cement,cigarettes, electrical, mechanical or general engineering products, iron and steel paper and textiles.)

Now, it is attended to large number of industries. The act is applicable to whole of India except Jammu and Kashmir It applies to every factory employing 20 or more persons and to any other establishment as may be notified by the

Government cin its official gasette in which 20 or more persons are employed; and government can also introduce the schem in any other establishment employing less than 20 persons by giving at least two months notice. It does not applies to co-operative undertaking employing less than 50 workers and working without the aid of power.

EMPLOYEE'S FAMILY POSSITION/ PENSION SCHEME 1971 :

The object of this act is to make a provision for payment of a pension to the family of a diseased employee if he dies while in employment. If he or she retires after service he is entitled to a lumpsum payment. This contribution part of provident fund is diverted. All new employees in the establishments covered by employees provident fund where contributions are at the rate of 8% of their wages would be covered compulsarily under the familiy Pension Scheme.

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Business management.

FRINGE BENEFIT :

These benefits are called the indirect benefits. They act as supplementary compensation and help to stimulate the workers and make the job more attractive.

Becher defined fringe benefits any wage cost not directly concerned with production efforts performance, services or sacrifice, they are intended to act incentive to productivity.

They play crucial role for attraction retention and motivation of the employee of company.

They are quite important in maintaining interest in the company. It helps to increase the real income benefits. 'Cockman' divides fringe benefits into two types.

Fringe benefit which includes status cars, entertain - ment facilities , holidays, foreign travel, telephone, security, insurence medical facility, children education.

Key Benefit such as shares profit sharing retirement consellling and house purchasing. Introduction of fringe benefits and key benefits depend on how much company can adhere to spend. If employee and employer are to be benefited, employee performance is examined through the regular performance appraisal.

Terms of cost are the real total costs of the facilities so provided to individual employee. Bonus create a favourable. It is real total costs of the facilities towards the particular job and company.

It would mean higher trades for the employee. Cost of fringe benefits are not static fringe benefits exist in the most of the companies. Fringe benefits included in the forms employee provident fund scheme. Gratuity or pension scheme and employee state insurance scheme, which is a system of social security. Introduced by the Government covering medical care, hospitalisation, accident benefit, death benefits and funeral benefits expanded. The scheme also provides funds when the employee is sick or disabled.

The voluntary benefits provided are payments towards employees provident fund scheme are not covered by statutory requirements as also gratuity and pension und contribution, medical facilities, canteen etc..

Profit and other kind of benefits such as attendance bonus, service bonus and gratuity, profits bonus was the major form of payment in this category.

The other Fringe benefits which are being provided for long term consideration are loans for house purchase and for the education of children, leave travel concession, fair price shop for essential commodities loan to buty personal transport. It helps for preventing the mobility.

Since fringe benefits and key benefits are essential for companies require to check the effetiveness from time to time. Fringe benefits are important for compensation plan. Productivity earning and profit sharing management presume that incentive increases. The efforts of workers contribute to increase productivity and company share, the increased

Profit among the workers also profits facilities for pay dividend for capital investment and to decrease the cost of consumer.

WAGE COMPONENTS :

BASIC WAGE[1]:

According to committee on fair wage, basic wage is a fundamental component of the total earning ofthe worker. It has come to acquire this disignation in contrast to the dearness allowance which was an additional to the normal wage of the worker during the inflationary days of the worker war to compensate him for the rise in the cost of living. Thus, the baisc wage is linked with the pre war level or wages. Number of labour enquiry committees were set up to investigate conditions in various industries. The Bombay Labour Enquiry committee appointed in 1937, came to the conclusion that a living wage should be Rs.50 to 55 for workers in Bombay city, Rs.45 to 50 in Ahmadabad and Rs.42 to 45 in Solapur. Enquiry was restricted to textile industry. Another committee was set up under the chairmanship of B.N.Rao and that was finally accepted as the most suitable for whole of the India.

Committee found that Families at average size of three consumption units and living in the city of Bomby where pre - war monthly income was less than Rs.35 would have no margin for saving and in Solapur and Nagpur Rs.30 per month.

1. P.J.Fonseca - Wage Determination & organised Labour .

BONUS :

In India nearby ten percents of industrial dispute arises due to bonus. The word bonus has Latin origin. It means "good" and in interchangeable with"boon". The New - English Dictionary defines it as " a boon or gift over and above what is normally due as remuneration to the receiver and which is therefore something wholly to the good."

For the above definitions, it appears that bonus is an exgratia paymentmade by an employer to his employees as a mark of goodwill which is necessary for the better working. In India, the concept of bonus originated on the same lines and spirit but subsequently it has come to acquire different meaning. Government of India set up a bonus committee to go into details of bonus. There is distinction between bonus and wages.

Bonus comes out of profit and can claim no priority over dividends. It is paid out ofavailable surplus after meeting prior charges. Wages primarily rest on contract and are not necessarily dependent on profits made in par - ticular year. Also wages claim priority over dividends.

DEARNESS ALLOWANCES :

Dearness allowance is allowance which is paid to worker to compesate them for the higher cost of living. The practice of paying dearness allowance originated in India during world war I, when cotton textile workers in

Bombay and Ahmedabad demanded compensation for the rise in the cost of living.

There is no law for regulating dearness allowance in India. Various schemes in operation in differnet parts of the country are eigher voluntary or badsed on agreement between the employers and the unions are regulated by the awards of the courts. A large variety of scales and rates are in operation, that differ from place to place as will as among differnet industries of one industrial centre and differnet units of the same undertaking.

Various systems of payment of dearness allowance can be grouped into two basic types. The first type comprises those systems wherein dearness allowance isnot linked with the cost of living index numbers and the second type com - prises those where it is linked. In the former case, dear- ness allowance is paid on a flat rate basis to all workers or as a percentage of wages, or at varying rates in propor- tion to the earning or income groups. In the later case, the amount of dearness allowance paid is computed by assi- gning, value per point of the cost of living index numbers. It is varied according to the movement of numbers per point or slab of points. Again dearness allowance calculated as above may be paid to all workers at the same rate or varied according to income slabs in such a way that the extent of neutralisation of higher cost of living is maximum for the lowest income group.