

How is wage determined in india



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Unorganized Labour:

It is difficult to correctly arrive at the employment numbers, under different categories in the unorganized sector. However, agriculture & related activities continues to be the dominating sector accounting for 70% of unorganized sector employment. Construction will be the next largest sector.

Organized Vs Unorganized:

The organized sector enjoys better conditions of work, protection under labour laws, is better unionized and most enjoy collective bargaining rights when compared to their unorganized sector counter parts. On the other hand, the degree of protection & trade union rights available for unorganized sector is limited: however, varies depending on extend of unionization/political climate of the state. (Kerala/West-Bengal). In such cases they enjoy near equal protection.

Government workers, public sector and private sector:

Government workers enjoy high level of job protection, trade union representation without collective bargaining rights.

Public Sector workers enjoy trade union and collective bargaining rights.

Private sector workers enjoy trade union and collective bargaining rights like public sector. Current trend is to move to non-union workplaces.

Frame work for wage calculation:

Organized Sector:

The `day`, `week` and `month` are the basic units for wages calculation - used in combination.

Normal working week is five days (for government) five half days/ six days.

`Hour' is generally not a unit for wage calculation. (In newer sectors like IT, ITES hour is becoming a standard).

Wage payment is made monthly.

Unorganized sector:

`Day' is the common unit of calculation. In certain cases piece rate wages is in vogue, as well as hourly wages.

Wage categorization:

Minimum Wage: - bare subsistence of worker, enough for health, efficiency and working capability.

Fair wage: Above minimum wage

Living wage: male worker not to provide for himself, but for family - not just bare necessities but frugal comfort, education for children, social security etc.

Need based minimum wage.

METHODS OF WAGE DETERMINATION IN INDIA:

Fixation of wages in India is a recent phenomenon. There was no effective machinery till 2ns world war for settlement of disputes for fixation of wages.

After independence of India, industrial relations become a major issue and there was a massive increase in industrial dispute mostly over wages leading to substantial loss of production. Realizing that industrial peace is essential for progress on industrial as well as the economic front, the central

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government convened in 1947 a tripartite conference consisting of representatives of employers, labour and government.

Government of India formulated industrial policy resolution in 1948 where the government has mentioned two items which have bearing on wages:

Statutory fixation of minimum wages

Promotion of fair wages

To achieve the 1st objective, the minimum wages act of 1948 was passed to lay down certain norms and procedures for determination and fixation of wages by central and state government.

To achieve the second objective, GOI appointed in 1949 a tripartite committee on fair wages to determine principles on which fair wages should be fixed.

As of now, India does not have a formal national wage policy, though the issue has been discussed several times. The government has direct and indirect control over wage levels, which has been exercised through different institutions. Wages and salary incomes in India are fixed through several institutions:

Collective bargaining

Industrial wage boards

Government appointed pay commissions

Adjudication by courts and tribunals

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Collective Bargaining:

Collective bargaining relates to those arrangements under which wages and conditions of employments are generally decided by agreements negotiated between the parties. Broadly speaking the following factors affect the wage determination by collective bargaining process:

Alternate choices and demands

Institutional necessities

The right and capacity to strike

In a modern democratic society wages are determined by collective bargaining in contrast to individual bargaining by working. In the matter of wage bargaining, unions are primarily concerned with:

General level of wages

Structure of wage rates (differential among occupations)

Bonus, incentives and fringe benefits, administration of wages

Wage determination in the unorganized sector:

Wage determination in India has been achieved by various instruments. For the unorganized sector the most useful instrument is the Minimum Wages Act 1948.

This law governs the methods to fix minimum wages in scheduled industries (which may vary from state to state) by using either a committee method or a notification method.

A tripartite Advisory Committee with an independent Chairman advises the Government on the minimum wage. In practice unfortunately, the minimum wage is so low that in many industries there is erosion of real wage despite revision of the minimum wage occasionally.

A feeble indexation system has now been introduced in a few states only.

Collective bargaining in the organized sector:

An important factor that is not much recognized, but which still prevails in many organized sector units is fixing and revising wages through collective bargaining.

The course of collective bargaining was influenced in 1948 by the recommendations of the Fair Wage Committee that reported that three levels of wages exist - minimum, fair, and living.

These three wage levels were defined and it was pointed out that all industries must pay the minimum wage and that the capacity to pay would apply only to the fair wage, which could be linked to productivity.

In addition to this the fifteenth Indian Labour Conference, a tripartite body, met in 1954 and defined precisely what the needs-based minimum wage was and how it could be quantified using a balanced diet chart.

This gave a great boost to collective bargaining; many organized sector trade unions were able to achieve reasonably satisfactory indexation and a system of paying an annual bonus.

It is now the law, that a thirteenth month of wage must be paid as a deferred wage to all those covered by the Payment of Bonus Act.

Industrial Wage Boards:

Concept of wage board was first enunciated by committee on fair wages. It was commended by first five year plan and second five year plan also considered wage board as an acceptable machinery for settling wage disputes. Wage boards in India are two types:

Statutory wage board

Tripartite board

Statutory wage board is a body set up by law or with legal authority to establish minimum wages and other standards of employment which are then legally enforceable in particular trade or industry to which the board's decisions relate.

Tripartite wage board is a voluntary negotiating body set up by discussions between organized employers, workers and government to regulate wages, working hours and related conditions of employment.

Wage board decisions are not final and are subjected to either executive or judicious review or reconsideration by other authority or tribunals. The powers and procedure of wage boards are same as industrial tribunals instituted under the ID act 1947

Pay Commissions:

First pay commission was appointed by GOI in 1946 to enquire in to the conditions of service of central government employees. This commission in its report said that in no case should they pay less than a living wage.

The 2nd pay commission was appointed in August 1957; it examined the norms for fixing a need based minimum wage setup.

GOI appointed the 3rd pay commission in the 1970's which in its report expressed support for a system in which adjustments of pay will occur automatically with upward movement in consumer price index.

The 4th pay commission came in 1983 to examine the structure of all central government employees, including those of union territories, officers belonging to the armed forces and all India service. Commission submitted a report that recommended drastic changes in pay scale.

The 5th pay commission 1996 made certain recommendation regarding restricting of pay scales.

The 6th pay commission was established in 2006 which submitted a report suggesting revision of Pay scales of employees of Autonomous bodies.

Adjudication:

This instrument is used for settlement of any wage related disputes through courts and tribunals. Supreme Court has also adjudicated upon such disputes.