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Wage Levels and Differentials in Important Sectors -
A Short Note

The question of wage differentials could be viewed from a number of different angles. It could be considered in terms of inter-industry and inter-regional differences as also from the point of view of degrees of skill, efficiency and agreeableness of work, the extent of organisation in the labour markets or even from the stand-point of the influence social attitudes and prejudices on wage levels. However, in as much as the available information on the subject is rather scanty and subject to limitations the present note does not make any attempt to correlate the differentials in wage levels to the factors contributing to these and is instead confined to bringing out to the extent feasible the broad position as regards wage differentials in the major sectors of the Indian economy.

Agricultural Sector:

2. In the agricultural sector which provides nearly 50 per cent of the country's national income and engages some 70 per cent of the working population there is, as is well-known a predominance of self-employed persons. Agricultural labour constitutes some 17 per cent of the country's total working force and 24 per cent of the agricultural working force. While under the impact of development programmes undertaken in recent years there has been an improvement in the conditions of agricultural labour in general their earnings continue to be low. Adequate data are not available to show the level and differentials in the earnings of agricultural labour in different parts of the country. The broad picture is one of low levels of earnings which show wide variations from State to State. The data collected in connection with the third Rural Labour Enquiry, for instance, reveal that the average annual income of an agricultural labour household in 1963-64 was only around Rs. 660. Some more recent information is also available in respect of wages of male agricultural workers in I.A.D.P. districts. This shows that their range was between Rs. 2 to Rs. 2.50 per day in most States but here again inter-State differences were wide. In the Punjab, for example, the wage rate is highest - Rs. 7.50 per day for Rabi harvest season in 1968. In Madras it is Rs. 4.25, in West Bengal Rs. 3.69 and in Bihar Rs. 3.00.

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There is, however, one feature in the rural context which is different from other labour. In the case of agricultural work wage rates in a village or in a group of villages depend on type of work but not so much on the employers' capacity to pay i.e. whether it is a big landlord or small he will pay the same wage as prevails in the area. If however part of the wage is in kind, perhaps a cooked meal, there can be some difference. The chances, therefore are that differentials in rural wage structure could be marked within an area. Between areas, as pointed out, there can be wide differences.

Manufacturing Sector:

3. As one gets into the more organised sector mining/manufacturing etc. a differential between agriculture and industry which is often talked about need a mention. For reasons stated elsewhere this way of recording rural: urban differential may be misleading. In the manufacturing sector a fairly comprehensive idea of wage differentials is furnished by the data contained in the first Occupational Wage Survey the results of which were published in 1963. The data in this Survey pertain to the year 1958-59. Work on a second survey related to the years 1963-65 is currently in progress but it will be some time before its findings and results become available.

4. Some idea of the wage differentials in organised industry is also furnished by the data on worker's earnings collected under the Payment of Wages Act, 1936. The data pertaining to the average annual earnings of workers getting less than Rs. 200 per month for the period 1956-1963, for instance, show that as between different States the level of earnings of this category of workers was highest in Maharashtra (Rs. 1665) and lowest in Andhra Pradesh (Rs. 897). Taken as a percentage of the average annual earnings of the workers concerned in Maharashtra the percentage for some other States worked out to be as follows: Gujarat 98, Madhya Pradesh and Assam 85, Bihar 83, West Bengal and Madras 76, Mysore 71, U.P. 69, Orissa 67, Punjab 62, Kerala 59, Rajasthan 58 and Andhra Pradesh 54. As between different industries the same data show about the lowest in the jute textiles industry. Next to coal and petroleum products the industries in the descending order are ship building and repairing, electricity, steam and gas, steel, basic metal industries and cotton textiles.

5. Wage differentials by skills and occupations as also as between operating units of different sizes are more difficult to analyse. Only a broad inference can be drawn on the basis of available information that such differences are also of a considerable magnitude in a variety of cases. Similarly the difference in the level of earnings of the workers employed in the public and private sector undertakings do not warrant a definite and conclusive inference. A study undertaken by the National Council of Applied Economic Research sometime back, however, revealed that in a limited number of public sector undertakings the level of earnings was higher as compared to private industries, namely, printing and publishing, foot-wear, paper and paper products, chemical and chemical products, petroleum and coal, and basic metal and electrical machinery industries. It is not the intention to draw any conclusion on this limited experience.

6. In the evidence which has come before the Commission in the form of the replies to its Questionnaire only some general ideas have been expressed in regard to the problem of wage differentials. It has been pointed out that barring a few exceptions the considerations pertinent to wage differentials mentioned in the Report of the Committee on Fair Wages, namely, degrees of skill, strain of work, length of work, training requirements, responsibility undertaken, mental and physical strain, disagreeableness of the task, hazards of work and fatigue are by and large not reflected in the prevailing wage differentials. The existing wage differentials it is maintained, are not the result of any scientific job evaluations. In many industries the prevailing wage structure has been the outcome of the recommendations of the Wage Boards, awards and agreements which could not go in considerable detail in the matter of evolving a scientific wage structure.

7. The recognition of the problem of differentials in wage/salary fixation, not necessarily on the basis of determining what is required for a person at the minimum level has always been there in fixing salaries of white-collar employees. It acquired a measure of acceptance by Fay Commission/National Tribunals when they fixed different scales for mofusil as compared with those of headquarters for similar job or graded cities or towns differently and awarded to each in the grade a scale special to it.

8. As regards the effects of the existing systems of dearness allowance on the wage structure the general view expressed is that these have tended to narrow down the differentials as between skilled and unskilled workers and this tendency has operated as a disincentive to work.

In face of the limited statistical information available in regard to existing wage differentials in major sectors of the Indian economy as also the inherent difficulty of international comparisons in any meaningful sense it is difficult to draw any clearcut lessons from experience in other countries in this regard. Besides inter-industry wage differentials tend to be rather prominent in the early stages of development. As for differentials according to skills the available indications are that they were at one time wider in developed countries as compared to developing countries but have shown a gradual tendency to narrow down in both groups of countries. The reasons are not far to seek: (a) the egalitarian urged in the working class, (b) the breaking down of the total skill into its components which do not require a mastery over the whole operation but only a part of it, and (c) even at the lowest level of skill a worker will be using more capital equipment. Thus in understanding the changes in differentials over time we are not comparing the little with little. In a way all these factors are operating, though in a limited way, in India also.

9. However, difficulties apart, the general problem of differentials will have an important bearing in the framing of wage policy. As would be seen from experience, some of the disputes in the 'public utilities' have had their origin in the desire of one group to maintain its distance from others in terms of wages. The existence of craft unions (and the view suggested by the Secretariat for the Commission to take is against encouraging craft unions) helps to accentuate these differences as much as the payment of flat rate dearness allowances tries to narrow the differentials. Scientific job evaluation and work study is advanced as a means to settle the issue. But settlement of wages merely ^{with} reference to work has its own limitations. Since it does not take into account the social, economic and other environmental considerations. Some differentials though well worked out do not muster support in joint negotiations because both at the plant level and in the union some pressure groups could be said to be working.