

CHAPTER-9

WAGES

Q.1: Distinguish as the term money wages & real wages & explain factors affecting to the real wage.

Factors affecting to the real wages:

Labour is one of the important factors of production. The share of labour in national income is known as wages. The term wages has been defined as the price paid for the service rendered in the production by labour. In this way wages are the remuneration paid to labour for its productive service. Since the term labour refers to all kinds of workers (skilled – unskilled, blue collar – white color workers)

Money wages and real wages

It is usual to make a distinction between money wages and real wages. Nominal wages are also known as money wages. It refers to the amount of wages which a worker receives in terms of money. In other words nominal wages are wages paid or received in terms of money. For example a monthly wage of Rs. 2000/- received by a textile mill worker or a monthly salary of 15000/- Rs received by a professor of economics is his money wage or nominal wage.

Real wages on the other hand refer to the amount of goods and commodities which a worker can buy with this money wages. It refers to the net advantage of the worker remuneration with the non monetary benefits connected with employment which he gets.

It should however be remembered that money wages alone do not give us a correct idea of the economic position of the workers. It is possible that nominal wages may be very high but if the purchasing power of money is very low the real wages would be very low. Because in that case the worker would be able to buy less quantity of goods and commodities. It is likely that the money wages may be low but if the worker gets number of incidental benefits connected with the employment like free residence. Free medical aid. Free education for his children – his real

wages would be quite high – from the point of view of standard of living real wages are more important than money wages.

Factors affecting real wages :

Following are the main factors which affect real wages.

(1) The purchasing power of money :

Workers are generally paid wages in terms of money but money by its self is not so important .what really matter is the purchasing power of money. Purchasing power refers to the amount of goods and commodities which can be purchased by a unit of money. The purchasing power depends upon the general price level. At higher prices people can purchased less quantity of goods and services compared to the goods and services can be purchased at lower price therefore we can say In the times of inflation there is a fall in real wages of the workers while in a period of depression there is a rise in their real wages.

(2) Non – Monetary or incidental benefits :

The workers are generally paid wages in form of money but in many occupations they receive extra benefits which increase their real earning. for example in certain employments Workers are provided free quarters – free medical aid, free uniform – free education for their children – subsidized canteen facilities price concessions in commodities free transport service etc in such employment although the money wages may be low yet real wages are quite high, In considering the real wage there for all these benefits should be taken in to consideration.

(3) Possibility of extra earning.

In certain occupations workers may have opportunities to earn extra money. Real wages in such occupation may be higher than those occupations where no such opportunity exist. For example a professor can supplement his income by writing books or by giving private tuitions.

(4) Regularity or Irregularity of employment.

There are certain occupations which give regular employment to the workers while in some other occupations the employment is just seasonal. Real wages will naturally be high in those occupations where employment is regular than in those occupations where employment is irregular or seasonal.

(5) Nature of Job.

The nature of job is also an important factor which affects the real wages of a worker. there are certain occupation which are hazardous and risky – for example the pilot of an air craft. In this occupations money wages may be high but real wages would be low than occupations in which workers feel greater security of life.

(6) Possibility of promotion.

A Person may be prepared to accept a low wages rate in a particular occupations if he finds that there are bright future prospects for him to get promotion.

(7) Working Conditions:

Conditions of service such as the number of hours of work – number of holidays, responsibility etc. also affects the real wages. for example a college lecturer get 15000rs. Salary. While bank officer paid 16000rs. Salary real wages of college lecturer is higher than bank officer because college teacher gets about 4 month vacation during a year.

(8) Social Prestige :

Some job which even though carry low wages their social prestige being very high. The real wages is high. for example teaching is regarded as a noble profession. Thus a teacher gets psychological satisfaction and real wages are higher than his salary.

In short money wages do not give us a true and reliable picture of the economic conditions of the workers but it is the real wages which shows true picture.