

HUMAN RESOURCE MANAGEMENT II

CHAPTER 6: WAGE AND SALARY ADMINISTRATION

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CHAPTER 6

Definitions and Concepts

- Wage salary administration is essentially the application of a systematic approach to the problem of ensuring that employees are paid in a logical, equitable and fair manner and the terms used are Wage, Salary, Earnings, Nominal Wage, Real Wage, Take Home salary, Minimum Wage, Statutory Minimum Wage, The Need-based Minimum Wage, The Living Wage, The Fair Wages, Incentive Wage, Wage Rate, Standard Wage Rate

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- Indian Labour Organization (ILO) defined the term wage as “the remuneration paid by the employer for the services of hourly, daily, weekly and fortnightly employees
- Salary is defined as the remuneration paid to the clerical and managerial personnel employed on monthly or annual basis
- Minimum Wage is the amount of remuneration which could meet the “normal needs of the average employee regarded as a human being living in a civilised society”
- Statutory Minimum Wage is the amount of remuneration fixed according to the provisions of the Minimum Wages Act. 1948

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NEED FOR SOUND SALARY ADMINISTRATION

- Most of the employees' satisfaction and work performance are based on pay
- Internal inequalities in pay are more serious to certain employees
- Employees act only to gross external inequities
- Employee comparisons of pay are uninfluenced by levels of aspirations and pay history
- Employees compare their pay with that of others

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OBJECTIVE OF WAGE AND SALARY ADMINISTRATION

- To Acquire Qualified Competent Personnel
- To Retain the Present Employees
- To Secure Internal and External Equity
- To Ensure Desired Behaviour
- To Keep Labour and Administrative costs in line with the ability of the organization to pay
- To Facilitate Pay Roll
- To Simplify Collective Bargaining procedures and negotiations
- To Promote Organization feasibility

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FACTORS AFFECTING WAGE/SALARY LEVELS

- Remuneration in Comparable Industries
- Firm's ability to pay
- Relating to price index
- Productivity
- Cost of living
- Union pressure and strategies
- Government legislations

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WAGE BOARDS AND PAY COMMISSIONS

- Wage policies are formulated by the following institutions in India:
 - Collective Bargaining and Adjudication
 - Wage Boards
 - Pay Commissions

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OBJECTIVES OF WAGE INCENTIVE SCHEMES

- To improve the profit of a firm through a reduction in the unit costs of labour and materials or both
- To avoid or minimise additional capital investment for the expansion of production capacity

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OBJECTIVES OF WAGE INCENTIVE SCHEMES

- To increase a worker's earnings without dragging the firm into a higher wage rate structure regardless of productivity
- To use wage incentives as a useful tool for securing a better utilization of manpower, better production scheduling and performance control, and a more effective personnel policy

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MERITS OF WAGE INCENTIVE SCHEMES

- They are accepted as sound technique for the achievement of greater production
- The need for supervision is reduced for the employees.
- The experience gained in India and elsewhere indicates that wage incentives have resulted in gains in productivity
- “In a majority cases, the existence of payment by results was related to increased output, higher earnings and lower costs”

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DEMERITS OF WAGE INCENTIVE SCHEMES

- The experience with the working of incentives in the highly industrialized countries of the West is not quite happy
- They have a dubious value for increase in output
- A sound and effective administration of incentive schemes would depend upon an understanding of the problems of human relations as well as those of engineering.

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SOME IMPORTANT WAGE INCENTIVE PLANS

- Halsey premium Plan
- Halsey weir Premium Plan
- Rowan Premium Plan
- The 100% Premium Plan
- The Bedeaux Point Plan
- Taylor's differential Piece Rate Plan
- Accelerating premium systems
- Emerson efficiency plan
- Merric's multiple piece rate plan
- The Gnatt Task and Bonus Plan

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PROFIT SHARING

- Profit sharing is regarded as a stepping stone to industrial democracy.
- It usually involves the determination of an organization's profits at the end of the financial year and distribution of a percentage of the profits to workers qualified to share in the earnings

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PROFIT SHARING

- The main features of Profit sharing scheme
 - The proportion of the profits to be distributed among the employees is determined in advance
 - The employees should have some minimum qualifications as per company's conditions
- Three types of profit sharing plans are in use: Current, Deferred and Combination

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PROFIT SHARING

- Profit sharing may be on different forms
 - Industry basis
 - Locality Basis
 - Unit Basis
 - Department Basis
 - Individual basis

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SCANION PLAN

- This plan was developed in 1937 by Joseph Scanion to involve the workers in making suggestions for reducing the cost of operation and improving working methods and sharing the gains of increased productivity
- The plan has two basic features- financial incentives and a network of departmental and plant screening committees

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SCANION PLAN

- Financial incentives aimed at cutting cost and there by increasing efficiency are installed
- Network of plant screening committees are set up to evaluate employees

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BONUS

- Starting as an ad-hoc and ex-gratia payment, bonus was claimed as dearness allowance during the World War II
- Under the payment of Bonus Act, 1965, it secured the character of a legal right
- The dictionary meaning of “bonus” is an extra payment to the workers beyond the normal wage.

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BONUS

- The Payment of Bonus Act was amended in 1985 according to which:
- employees whose salary is upto RS 2,500 are eligible for bonus.
- Salary for the purpose of bonus means Pay+DA
- Employees drawing upto Rs. 1600 are eligible for bonus
- 60% of the surplus should be allocated for the payment of bonus

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MANAGERIAL COMPENSATION

- There is a feeling among the trade union circles that executives get a very high salary including perks
- Section 198 of the Companies Act. 1956 says that the total managerial remuneration payable by a public limited company to its Directors, Secretaries and Treasurers and Managers in a financial year shall not exceed 11% of the net profits of the company

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- The Government issued guidelines from time to time and some liberalizations
- Overall ceiling is increased to Rs. 62,700 in Mumbai apart from increased in allowances for cooking gas, electricity, gas etc. and pension benefits and medical expenses
- The economic liberalizations announced in 1991 allowed the deregulations on managerial compensation