

CHAPTER - VI SALARY & WAGE ADMINISTRATION

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I) INTRODUCTION -

'Salary and 'Wage' these words meant so much interest for both ends, to employee and to employer and for this purpose it is important to well administrate this one. Salary and Wage Administration refers to the establishment and implementation of sound policies and practices of employee compensation. A fair salary and wage rate make organizations atmosphere happy and healthy, which is very much important to achieve organizational goals. For this purpose the organization needs help of most significant factor of production called 'labour'.

II) NATURE AND PURPOSE -

The basic purpose of Salary and Wage Administration is to establish and maintain an equitable salary and wage structure. Second is the establishment and maintenance of an equitable labour-cost structure, i.e. an optimal balancing of conflicting personnel interests so that the satisfaction of employees and employers is maximized and conflicts minimized. The Salary and Wage Administration is concerned with the financial aspects of needs, motivation and rewards.

III) OBJECTIVES -

A sound Salary and Wage Administration has mainly following objectives.

a) For Employees –

- i) Employees are paid according to requirements of their jobs i.e. high skill jobs- more compensation and vice-versa.
- ii) The chances of favoritism, undue preferences are minimized.
- iii) Job sequences and lines of promotions are established.
- iv) Employees moral and motivation are increased because; wage program can be explained and is based upon facts.

b) For Employers –

- i) They can systematically plan for and control their labour costs.
- ii) In dealing with a trade union, they can explain the basis of their wage program because it is based upon a systematic analysis of job and wage facts.
- iii) Reduces the likelihood of friction and grievances over wage inequalities.
- iv) It enhances an employee's moral and motivation, because adequate and fairly administered wages are basis to their wants and needs.
- v) It attracts qualified employees by ensuring an adequate payment for all the jobs.

- According to 'Beach', Salary and Wage Programs have four major purposes.

- i) To recruit persons for a firm.

- ii) To control payroll costs.
- iii) To satisfy people, to reduce the incidence of quitting, grievances and frictions over pay and
- iv) To motivate people to perform better.

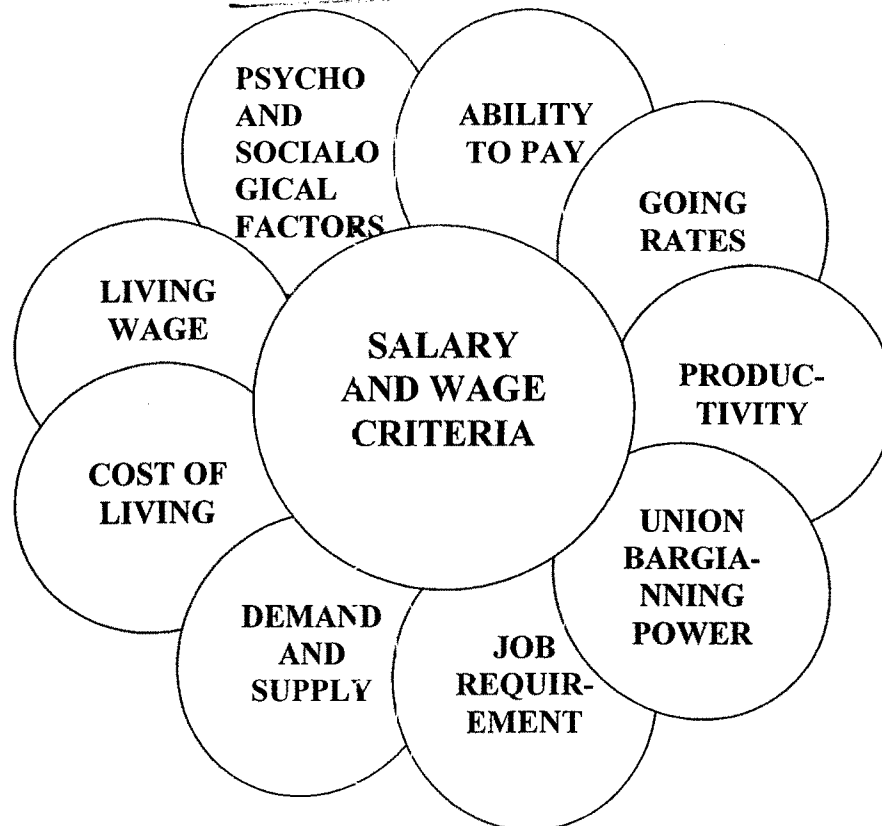
IV) FACTORS INFLUENCING SALARY AND WAGE ADMINISTRATION -

Different organizations set different salary and wage policies as per legislations demand and their organizations policies, atmosphere etc. But every organization try to keep minimum wage rates and recruits marginal labour. Exceptionally, it has been experiencing that, some organizations pays more than going rates in labour market. They do so to attract and retain the highest caliber of the labour force and also at attract better workers who will produce more than the average worker in the industry. This grater production per employee means greater output per man hour. Hence, labour costs may turn out to be lower than those existing in firms using marginal labour. Other reasons for paying high wages is that, combination of favorable product market demand, higher ability to pay and the bargaining power of a trade union. Most units gives greater weight to two wage criteria as, job requirements and the prevailing rates of wages in labour market.

Besides, the basic factors provided by a job description and job evaluation, those that are usually taken into consideration for salary and wage administration are,

- i) Ability to Pay
- ii) Demand and Supply of Labour
- iii) The Prevailing Market Rates
- iv) The Cost Of Living
- v) Living Wage
- vi) Productivity
- vii) Trade Unions Bargaining Power.
- viii) Job Requirements, and
- ix) Psychological and Sociological Factors.

- Figure 5.1 Figure showing criteria for salary and wage fixation.



Above given criteria briefly discussed below.

i) Ability to pay –

Some times it happens that, same companies having same production, marketing lines pays differently to their employees i.e. some pays higher than another. It happens mainly because of their ability to pay higher and this ability comes by way of large production, low production cost and high profit etc.

ii) Demand and Supply of Labour –

Salaries and Wages are affected by the market conditions of demand and supply. If the supply of particular labour skill is scarce, employers may offer higher wages. If the supply is excessive, lower wages are usually offered. Similarly, if there is a great demand for labour expertise, wages rise but if the demand for a manpower skill is minimal, the wages will be relatively low.

iii) Prevailing market rates –

This is also known as the comparable wage or going wage rate and is the most widely used criterion. Generally, organizations compensation policies are determined by considering other organizations compensation policies which are relatively same in nature. Organization must want to consider prevailing market wage rate, before deciding compensation policies.

This is because, -

- a) Competition demands that competitors adhere to the same relative wage level.
- b) Various government laws and judicial decisions make the adoption of uniform wage rates.
- c) Trade unions encourages these practices so that their members can have equal pay for equal work and geographical differences may be eliminated.
- d) Functionally related firms in the same industry require essentially the same quality of employees, with same skill and experience. To retain human resource with organization it is necessary to pay at least market rate.

iv) Cost of Living –

The cost of living pay criterion is usually regarded as an automatic minimum equity pay correction. This criterion calls for pay adjustments based on increases or decreases in an acceptable cost of living index. In recognition of the influence of the cost of living, “Escalator Clauses” are written into labour contracts.

v) The Living Wage –

It means that wages paid should be adequate to enable an employee to maintain himself and his family at a reasonable level of existence. However employers do not accepts this, they prefer to base the wages of an employee on his contribution rather than on his needs.

vi) Productivity –

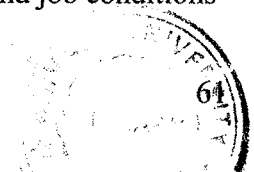
Here Salary and Wage are measured in terms of output per man-hour. Production or output is most important factor, produced by employee and wages are determined on the production capacity of labour. It can be determined on production per-hour base or completion of given assignment of products. Means that, wages to employee is decided by way of how much number of products an employee can produce in one hour, and second criterion is that, employees decides wages when they produce or completes all given assignment or gets wages in proportionate of produced goods.

vii) Union bargaining power –

Generally, stronger and more powerful the trade union gets higher the wages. A trade union’s bargaining power is often measure in terms of its membership. By using weapon of strike or threat of strike union can get higher than prevailing wages from employer.

viii) Job requirement –

Jobs are graded according to relative skill, effort, responsibility and job conditions



required. Therefore, the more difficult a job, the higher are the wages.

ix) Psychological and Social Factors –

These determine in a significant measure, how hard a person will work for the compensation, received or what pressures he/she will exert to get his compensation increased. Psychologically, persons perceive the level of wages as a measure of success in life, people may feel secure, have an inferiority complex, seem inadequate or feel the reverse of all these. They may or may not take pride in their work or in the wages they get. Sociologically, wages must be based on “equal work – equal pay”, “wages should be commensurate with their efforts”, “and employees are not exploited, and “no distinction is made on the base of cast, color, sex or religion”. To satisfy the conditions of equity, fairness and justice, a management should take above factors in to consideration.

✓ **V) PRINCIPLES OF SALARY AND WAGE ADMINISTRATION-**

Following are the generally accepted principles which govern Salary and Wage Administration.

- i) There should be a definite plan to ensure that differences in pay for jobs are based upon variations in job requirements, such as skill, efforts, responsibility or job or working conditions and mental and physical requirements.
- ii) The general level of wages and salaries should be reasonably in line with that prevailing in the labour market. The labour market criterion is most commonly used.
- iii) The plan should carefully distinguish between jobs and employees.
- iv) Equal pay for equal work, - if two jobs have equal difficulty requirements, the pay should be the same, regardless of who fills them.
- v) An equitable practice should be adopted for the recognition of individual differences in ability and contribution.
- vi) There should be a clearly established procedure for hearing and adjusting wage complaints.
- vii) The employee should be informed about the procedure used to establish wage rates.
- viii) The wage should be sufficient to ensure for the worker and his family a reasonable standard of living.
- ix) The wage and salary structure should be flexible.

✓ VI) STEPS INVOLVED IN FIXING SPECIFIC JOB RATES –

Usually, four steps are involved in arriving at specific job rates, viz, performing a job analysis, grading a job, assigning price to each job and administering the resulting program.

The process of job analysis results in job descriptions which lead to job specifications. A job analysis describes the duties, responsibilities, working conditions and inter-relationship, between the job as it is and the other jobs with which it is associated. It attempts to record and analyze details concerning the training skills, required efforts, qualifications, abilities, experience and responsibilities expected of an employee. After determining the job specification, the actual process of grading, rating or evaluating its value relative to all the other jobs in the organization which are subject to evaluation. The next step is that of providing the job with a price. This involves converting the relative job values in to specific monetary values or translating the job classes into rate ranges.

Finally, after the wage range for each job is established, the specific wage rate within the range for each employee must be determined; this leads to the process of employee appraisal.

✓ VII) CONTROL OF WAGE AND SALARY ADMINISTRATION -

Salary and Wage Administration should be controlled by some proper agency. This responsibility may be entrusted to the personnel department or the general company organization or to some job executive. Since the problem of salary and wages is very delicate and complicated, it is usually entrusted to a committee composed of high-ranking executives representing major line organizations.

The major functions of such committee are, -

- i) Approval and/or recommendation to management on job evaluation methods and findings.
- ii) Review and recommendation of basic salary and wage structure.
- iii) Help in the formulation of salary and wage policies.
- iv) Co-ordination and review of relative departmental rates to ensure conformity, and
- v) Review of budget estimates for salary and wage adjustments and increases.

This committee should be supported by the advice of the technical staff. Such staff committees may be for job evaluation, job description, merit rating, salary and wage survey in an industry and for review of present wage rates, procedure, policies etc.

FINDINGS IN GOKUL -

SALARY AND WAGE ADMINISTRATION -

A sound Salary and Wage Administration policy prevails in Gokul. Salary and Wage are having some more important and carefully considerable factor comparing to others which are central point of many industrial disputes. Considering this Gokul has also adopted favorable sound policy about Salary and Wage and they know that this is important to retain happy and healthy atmosphere in Gokul.

Gokul also considers all the principles which makes good and sound Salary and Wage Administration. Such as, legal requirements, variation in job requirements-skill, efforts, responsibility, working condition etc, general level of salary and wage, equal pay for equal work, hearing and adjusting wage complaints, reasonable standard of living etc.

CONTROL OF SALARY & WAGE ADMINISTRATION IN GOKUL-

Salary and wage administration is controlled by personal management department. Major functions of this department regarding salary and wage are as follows,

- I) Help in formulation of salary and wage policies.
- II) Suggestions about salary and wage adjustment and increase with review of budget estimates.
- III) Review and recommendation of basic salary and wage structure.
- IV) Recommendation to management on job evaluation methods and findings etc.

Especially, Gokul considers following factors which influences on Salary and Wage Administration.

I) Ability to Pay –

Gokul has strong position as compared to other milk processing co-operatives and that's why they get the high ability to pay either employee.

II) Living Wages –

Gokul provide more than a normal rate of living required for person. They always consider this point.

III) Prevailing Market Rates –

These rates are considered by Gokul for those employees who are on temporary basis or seasonal basis.

IV) Union Bargaining –

Gokul has a strong labour union called 'AITUC' most of employees are member of this union. Union arranges so many good programs throughout the year for

employees of Gokul, for their children, for employee's family and Gokul always helps union to do better for employees. It shows that there is healthy relationship between Gokul and labour union.

V) Solapur Index –

Gokul considers Solapur index frequently for sound salary and wage policy. Index is count on 6 months basis.

Following salary and wage slab table shows modified salary and wage structure of Gokul from 1st July, 2002 with grade code and designation.

Table 5.1 Analyzed Pay-scale of Gokul

Sr. No.	Designation	Grade Code	Salary Slab (in rupees)
1.	Executive Director	E	20000 – 38000
2.	General Manager	E-1	08877 – 22777
3.	Deputy General Manager	E-2	07575 – 18775
4.	Assistant General Manager	E-3	06984 – 17834
5.	Manager	M-1	06213 – 16363
6.	Deputy Manager	M-2	05839 – 15636
7.	Assistant Manager	M-3	05239 – 14689
8.	Senior Officer	S-1	03641 – 06046
9.	Officer	S-2	03301 – 05716
10.	Deputy Officer, Chemist	S-3	03055 – 04670
11.	Assistant Officer, Cashier, Sales Organizer	S-4	02858 – 04212
12.	Senior Supervisor, Steno, Foreman	T-1	02748 – 04513
13.	Electric, Production Supervisor	T-2	02632 – 04272
14.	Senior- Clerk, Plant Operator, Assistant Cashier	T-3	02547 – 03957
15.	Plant/Refrigerator Operator	T-4	02453 – 03638
16.	Clerk, Telephone Operator, Typist, Fitter	T-5	02360 – 03355
17.	Worker, Peon, Sweeper, Watchman	T-6	02276 – 03076

As above table shows, there are designation wise 17 grades in Gokul. Here, Executive Director- grade code is- 'E', for General Manager- 'E-1', Deputy General Manager-'E-2' and for Assistant General Manager- 'E-3'. All these comes under

salary slab of **Rs.38,000/- to **Rs.17834/-. For 'M-1' to 'M-3' which belongs to Manager, Deputy Manager and Assistant Manager respectively, comes under the slab of **Rs.16,363/- to **Rs.14,689/-. 'S-1' to 'S-4' grades are belongs to Senior Officers to Officers, which comes in pay-slab of **Rs.6,046/- to **Rs.4,212/-. And lastly from 'T-1' to 'T-6' comes under slab of **Rs.4,513/- to **Rs.3,076/-, these belongs to grade Senior Clerk to Worker, Sweepers, Watchmen etc.

* (Salary and wage slab table with grade given as it is in Gokul, on page 92)

* (Salary and wage for first 2 years for those employees which becomes permanent after, 1st July, 2002 in Gokul, on page 92)

* (Amenities table is given on page 92)

* (Periodic medical examination facility is provided as an amenity, specimen is given on page 93)

****Note - (Last increment in salary of the post considered, as per descending order of posts).**

