

CHAPTER I

INTRODUCTION

1.0. INTRODUCTION

1.1. Importance of Personnel Management

Personnel administration is that part of the process of management which is primarily concerned with the human constituents of an organisation. Its purpose is to establish and maintain sound personnel relations at all levels of the organisation and to secure the effective use of available personnel by ensuring such condition of employment as will enable all persons in the enterprise to contribute most effectively to its purpose in the performance of their duties, as well as to attain those personal and social satisfactions with they tend naturally to seek within their working environment.

People are the main subject matter of personnel administration and it is its business to educate employers, managers - Line and staff - and supervisors to place a high value on the dignity and work of the individual human being. There was hardly any exaggeration when Lawrence A. Appley, President, American Management Association, wrote, "Management is the development of people and not the direction of things... .. Management and personnel administration are one and the same, they should never be separated. Management is personnel administration".

In short, the challenge of personnel administration is 'PEOPLE', their development, their well being and their satisfaction. The basic objective of the personnel Executive is to assist the entire organisation from top to bottom in bringing out an improvement in knowledge, skill, habits and attitudes that will ultimately express itself productively in work and constructively in human relations. Personnel manager has to shoulder a great responsibility in promoting the optimum utilisation of the abundant human resources by providing expert professional and competent advice to management in the area of selection of employees, training and development, job evaluation, wage and salary administration, union management relations, human relations etc. He should assist employers not only in formulating proper humane and progressive personnel policies and procedures, but also in implementing them effectively in the industrial organisation. The mission of personnel administration is to create a human and worthy environment in industry and business where every individual human being - employer, employee, manager, supervisor - is in a position to make his maximum contribution towards the progress and growth of the organisation. Every worker should feel and be made to feel that he is a co-owner of the industry in which he is engaged, and every owner

should feel and act as if he is a co-worker. There must be complete unity between workers and owner, and ultimately it will foster the spirit of co-operation and partnership between LABOUR and CAPITAL. Its mission is to place before that exciting challenge of national reconstruction and to unlock that divine power, possessed by each individual, which can move mountains and harness it in the cause of one's country.

1.2. Role of Wage and Salary Administration

A sound and satisfactory wage policy is an essential part of the personnel management. The employees working in any industrial unit expect that any wage differentials that exist in an unit are due to explainable causes and they have a sound basis, in fact and are not due to favouritism, lack of uniformity of judgement between supervisors in granting increases or the result of the 'squeaky wheel getting the grease'. They expect wage rates to be consistent with job requirement and job performance. If the rates are not consistent, dissatisfaction is prevalent and grievances about the inadequate wages are common.

The task of wage administration is to iron out the grievances of the workers and provide them perfect contentment. The basic object of wage and salary administration is to establish and maintain an equitable wage and salary structure. Its secondary objective is the establishment and maintenance of an equitable labour cost structure i.e. an optimum balancing of conflicting personnel interests so that the satisfaction of employees and employers is maximised and conflicts are minimised. The wage and salary administration is concerned with the financial aspects of needs, motivation and rewards. Managers, therefore, analyse and interpret the needs of their employees so that reward can be individually awarded to satisfy these needs. It has been rightly said that "people do what they do to satisfy some needs. Before they do anything, they look for a reward or pay-off".

Steven Kerr observes : "whether dealing with monkey, rats or human beings, it is hardly controversial to state that most organisms seek information concerning what activities are rewarded, and then seek to do those things, often to the virtual exclusion of activities not rewarded. The extent to which this occurs, of course, will depend on the perceived attractiveness of the reward offered". The reward may be

money or promotion, but more likely it will be some pay off - a smile, acceptance by a peer, receipt of information, a kind word of recognition etc.

Dale Yoder observes in his book "personnel management and industrial relations" that "wage and salary administration involves the selection, development and direction of programs designed to implement compensation or incentivation policy through financial rewards. In wage and salary administration, managers translate selected policy in to a wide range of compensation programs, from the simplest hourly wage or monthly salary to much more complex incentive wage plans and combinations of wages and employee benefits and services".

All wage systems must offer the employee a wage sufficient to support himself and his dependents at least in the manner customary in his community among wage earners of his category. All wage systems must satisfy the basic needs of the employee for food, shelter, clothing and a reasonable entertainment of his life and of his dependents' life. The wage earner should regard his earnings as equitable compensation for his efforts. Because of fluctuations in the price level of the things that his earnings will buy, he is interested in his 'real wage' i.e. the buying power of his 'money wage'.

If the price levels rise, management should consider adjustment of payment to the cost of living, provided such adjustment is feasible because of a simultaneous increase in the proceeds from an enterprise.

Workers should be compensated basically in money to give them freedom of choice in the use of their earnings. Only payment of money will give them a feeling of independence from their employer, and a chance to save and to improve their lot. Where the part of the compensation consists in goods or services, employees should be free to choose between goods and money, i.e. free to secure such goods and services themselves. Employees are interested in their 'take home pay'. This end product of their foils is often more important to them than the manner in which it is calculated. Under incentive systems, earning should be higher than those of day-rate or hourly rate-employees on similar jobs, because employees working under such systems produce more and more. Incentives should be set sufficiently high to motivate workers to greater productivity, not only because of higher monetary rewards, but also because of the noticeably higher standard of living that is made possible by incentive systems.

The establishment of an equitable wage system that would fit the peculiar needs of an enterprise, involves first

of all a clear understanding of the labour needs of the business. This, in turn, determines the choice of compensation system that is conducive to productivity, that is, to production at a low unit cost. To attain this goal one does not need to pay low wages. Payment to employees in the form of compensation for their works must be such that recruitment and maintenance of the labour force will not become difficult. Skills, training, experience and other job requirements must be sufficiently rewarded by offering incentives to all employees to remain in their jobs, irrespective of the wage system that was adopted by the enterprise to reward high output.

In short, according to Beach, D.S., "A sound wage and salary administration tries to achieve these objectives".

(a) For Employees :

- i) Employees are paid according to the requirement of their jobs i.e. highly skilled jobs are paid more compensation than low skilled jobs. This eliminates inequalities.
- ii) The chance of favoritism, which creeps in when wage rates are assigned, is greatly minimised.

- iii) Job sequence and basis of promotion are established whenever they are applicable.
- iv) Employees' morale and motivation are increased, because a wage programme can be explained and is based upon fact.

(b) To Employers :

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

According to Beach, wage and salary administration programmes have four functions :

- i) To recruit persons for a firm,
- ii) To control pay roll costs,
- iii) To satisfy people, to reduce the incidence of quitting, grievances and frictions over pay, and
- iv) To motivate people to perform better quality and quantum of work.

The policy of effective wage and salary administration is a tool in the hands of management with the help of which it can achieve the goal of greater, better and cheaper production. It will foster morale and assist the management in achieving production targets, improving production, productivity, eliminating wastage and in achieving optimum utilisation of machinery and manpower. India is one of the top-ranking countries in the world with regard to the industrial unrest. Industrial section has become a sector of dispute in India. In such a situation the effective satisfactory wage and salary administration policy is a magic in the hands of management. Is not it ?

1.3. Objectives and Purposes of Study

In short, the researcher has kept following objectives for the purpose of his study. The principal objective is to understand the elements of wage and salary such as pay, allowances, bonus and incentives etc. introduced by Kumbhi-Kasari Sahakari Sakhar Karkhana Ltd., Kuditre, Taluka Karvir, District Kolhapur. The study chiefly aims at and covers the following aspects :

- 1) Organisation structure, categorisation and standardization of workers in the factory.
- 2) Schemes introduced to motivate the workers and impact of such schemes on the production and productivity and morale of the workers.
- 3) Various labour and welfare activities undertaken by the Karkhana and its effect on real wages of the employees.
- 4) Are the wages and salaries sufficient to satisfy the basic needs of the employees for food, shelter and clothing as well as the reasonable enjoyment of life ?

- 5) Various wage boards and committees appointed to consider and recommend the demands of the workers in sugar industry and those engaged in harvesting and transport of sugarcane, to the Government. Recommendations submitted by the Boards and Committees to the Government.
- 6) Role of special allowances and incentives given by the Karkhana for motivation.
- 7) Pointing out employment opportunities created for youths by the Karkhana.
- 8) Role of Kumbhi-Kasari Sahakari Sakhar Karkhana Ltd., Kuditre in socio-economic development of the area around.

1.4. Methodology

1.4.1. Selection of Unit :

The researcher has selected Kumbhi-Kasari Sahakari Sakhar Karkhana Ltd., Kuditre, Taluka Karveer, District Kolhapur, as an unit to study the wage and salary administration.

1.4.2. Selection of Period :

A period of five years from 1982 to 1986 is selected for the study.

1.4.3. Sources of Data Collection :

The data required for the study are collected through 'Questionnaire' from selected respondents of various categories of workers, supervisors and sectional heads. Besides this, the other information is collected through the following records maintained by the Personnel Department of the Karkhana.

- 1) Muster roll.
- 2) Payment Charts, Pay bills.
- 3) Annual Reports.
- 4) Awards of various Wage Boards.
- 5) Interviews of Labour and Welfare Officer and Managing Director and other Heads of the Departments and Sections.

1.5. Limitations of the Study

Since the study is undertaken as part of the partial fulfilment of the Degree Course of Master of Philosophy in

Commerce, the researcher has limited his study to only one factory from amongst the co-operative sugar factories.

As the dissertation is to be submitted to the University within a prescribed period of time, the period of the study is limited to five years from 1982 to 1986.

The scope of the study is restricted to wage and salary administration of the seasonal and permanent workers engaged especially in Engineering, Manufacturing and other Departments. The workers engaged in Harvesting and Transport of sugarcane and contract labour have kept outside the scope of this study. It may be a very good problem for further research.