

CHAPTER I :

INTRODUCTION

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I N T R O D U C T I O N .

G E N E R A L :-

Definition of Wage and Salary Administration.

The Wage and Salary Administration is a very important managerial function which in its scope covers all aspects of monetary records given by the employer to the employees. The monetary records are given to the employees in return for the services rendered by them to the Company. The wage & Salary and monetary records in other forms such as bonus, overtime payment etc. must cover the following aspects.

- 1) These must allow for the recruitment, retention & motivation of capable personnel.
- 2) Further these must aim at maintaining internal equity in monetary rewards in such a way that all employees must be rewarded on the basis of their performance and professional capability and contribution they make to achieve company's production targets.
- 3) Lastly the monetary records must enhance the objectives of the shareholders of the Company to sumup in the words of William A. Groenkamp. \*

" To meet its basic obligation to employees management must compensate them equitably for their contributions

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\* Management Consultant - Los Angeles - California.

to the success of the organisation. To ensure this there are several fundamental elements which must be met other than just strict adherence to the legal requirements of both state and federal Governments. Management must ensure an equitable internal wage & salary structure. This implies that the duties and responsibilities of each job within a plant or Company are correctly compared with the others and that employees are paid accordingly. An equitable external wage structure must also be ensured which means that compensation should be competitive with the pay for similar job in other companies in the same industry and/or geographic area. Equally as important a wage & salary structure should be constructed in such a manner that it provides incentive to motivate employees. If a compensation programme is built around these key ingredients, the needs of employees, management and stockholders if applicable will be met. "

#### INTERNAL WAGE STRUCTURE :-

The internal wage structure of a Company must be devised in such a manner that it attains fairness and equitableness in the monetary rewards paid to the employees. An employee is interested in and affected by

the relationship of his salary when compared with those of fellow employees. If the internal wage & salary administration contains element of inequity then it affects morale of the employees at all levels. Equitable internal relationship in the wages and salaries paid to the different categories of employees can be ensured by Job evaluation methods. This is one of the way by which the most highly valued Jobs are rewarded with the largest amount of monetary, compensation whereas the lowest valued jobs are paid the least. The Job evaluation process starts with Job Analysis which in turn requires specification of job contents.

#### EXTERNAL WAGE STRUCTURE :-

The wage and salary administration introduced in a Company is influenced by the wage and salary administration in practice in other organisations in the region and also further by demand and supply for labour skills and professional capabilities outside the Company. In otherwards ~~to~~ ~~be aware of the wage and salary~~ to be competitive in the labour market, the Company must be aware of the wage and salary paid by the outside Companies for labour skills and professional capabilities. It desires to engage. Hence internal wage and salary administration is required to be planned in the - context of external wage & salary administration existing outside the Company.

MOTIVATION :-

The subject of motivation is a very broad and goes well beyond the area of monetary rewards paid to the employees. A Company should frame a scheme of incentives around its job evaluation methods for this purpose it should plan wage ranges in such a manner that the payment of competitive wage differential to employees based upon their individual performances. The spread from the minimum to the maximum within the ranges widens as jobs increase in complexity and responsibility and thus in the monetary reward levels.

METHODOLOGY OF STUDY :-( a ) The Problem :-

The present study is undertaken to understand the elements of wage and salary administration such as pay, allowances, bonus, incentives etc. introduced by Maschinen Fabriks Polygraph India Ltd. This Company is established recently i.e. in the year 1972 in collaboration with a Foreign Company and hence the wage and salary Administration introduced by this Company is influenced by the Principles and practices adopted in the Western countries. Hence it is contended that this study will throw light upon the aspects of wage and salary administration that go long way to affect productivity and motivation of employees in their Company.

(b) Objectives with analysis :-

The study aims at covering the following aspects of the wage and salary administration, viz;

- 1) As to how benefits to motivate the workers and increase the productivity are introduced by the said Company.
- 2) The welfare activities for the workers undertaken by the Company.
- 3) Standardisation of wages and categorisation of different grades and the basis on which categorisation is worked out by the Company.
- 4) How employees' money wages increase so as to neutralise the rising prices of the commodities purchased by them.
- 5) Whether the wages are sufficient to afford reasonable standard of living to the lowest paid worker.
- 6) Statutory minimum wages in Kolhapur Zone.
- 7) Parity in respect of salary and responsibility of -  
administrative staff.
- 8) Role of the special allowances given by the Company for motivating the workers to give best in them.

- 9) to see how far this company has generated new employment in the area surrounding its factory site.
- 10) To find out rural & urban distribution of employees engaged by the factory.
- 11) The physical exertions, and time spent by employees for travelling to and fro from their homes to the factory site affect their productivity and money wages and hence the mode of conveyance adopted by employees is to be found out.

ANALYSIS OF OBJECTIVES:

1) The present study is undertaken to review the wage policy of the Company with a view to understanding its effects on productivity and well being of the workers. Since in the socialist country the wage policy of the Company is to be framed in the context of all round social change taking place rapidly. It is also one of the aims to study the industrial relationship prevailing in this Company, right from its inception to the end of June 1982. For this purpose wage agreements etc. arrived at between the management and the employees union will be studied and also the manner in which these agreements were arrived at.

2) Since 1970 the country is in the grip of the rapidly rising prices hence while studying wage structure it will also be seen as to whether the wages offered even to the lowest paid workers are adequate to maintain minimum requirements of his family

and whether the enhancement in wages and allowances etc. neutralise rising price level.

3) The wages in general are to be structured in such a manner as to motivate the worker to increase his efficiency and productivity. For this purpose a study is made as to see how far incentives offered to the workers over and above fixed wages stimulate him to increase productivity.

4) In a company organised on the pattern of Foreign management principles various perquisites and other benefits are extended to workers & Administrative Staff and hence in this study nature and extent of such perquisites etc. - granted to the workers are analysed.

5) The overall Industrial law in this country offered security to workers in several directions, such as compensation for injuries, sickness, benefits etc. In the present study an effort is made to analyse various measures taken by the Company under different statutes such as Factories Act, E.S.I., Workers Compensation Act etc. to help, increase workers security and safety. etc.

6) Under the law workers demand for bonus can be met after five years after the company starts production & hence how far and to what extent bonus and other profit sharing scheme have been implemented in this Company are also reviewed under the present study.



### SCOPE OF THE STUDY.

The researcher selected this Company for the study of wage and salary administration because the organisation and working of this company are based on modern management principles and practices. This company employs 562 workers. This figure covers the entire administrative and technical staff of the company. There are different categories and grades of salary and wages into which the entire staff is divided. The researcher has taken 60 samples which are very widely spread so as to bring out fairly correct picture of wage and salary administration introduced in this Company. The study will help to understand the wide coverage of elements of wage and salary administration introduced by this Company and it is believed that on the basis of this study similar studies in respect of other companies can be undertaken & the principles & practices adopted by this Company in the sphere of Wage & Salary administration may prove as guidelines for adoption by other companies.

### SAMPLING AND METHOD OF DATA COLLECTION:

The researcher adopted stratified sampling method by taking into account different departments to which all the employees belonged from the administrative and technical sides. He selected 10% respondents out of all employees belonging to each department, taking at least one sample from each Department

where the total number of employees fell below 10.

Thus the samples were taken from Administration, sub contract, stores, technology, inspection, Tool-Room, Assembly, Production, Painting & Fabrication, Maintenance, Pa Pattern Shop, department. The sampling was not random in the strict sense of the term. This is so because the 10% respondents from each department who were available & willing to co-operate the researcher by supplying required data in the questionnaire were selected for the study. The selection of respondents in the manner given above will not vitiate the findings of this study because the elements of wage and salary administration in respect of each Department were fairly equitable in the department itself.

#### SCHEDULE ( NATURE OF INTERVIEW SCHEDULE )

The Schedule can roughly be divided into seven parts. This wide coverage of schedule encompasses all elements of wage and salary administration in this company.

The first part consists of the personal data of the respondent i.e. Age, Education, designation, experience, distance from the company, settlement, Mode of conveyance, adopted and nature of work etc.

The second part of the schedule gives information

relating to the total emoluments received by the respondent as a part of wage & salary administration, the deductions made there from at source by the Company. The employees opinion is elicited as to whether the takehome wage/salary is sufficient to meet his family needs and to what aspects his wage / salary linked with.

The third part of the schedule throws light on the various allowances, the respondent is entitled to receive. Here also his opinion is asked about the allowances which he desires to be paid to him as a part of wage/salary administration.

The fourth part gives the data relating to bonus amount received by the respondent & also shows the details about how it is spent in the employee. This part also throws light on the debts secured by the respondents & their sources.

The fifth part gives the data relating to as to whether any incentive payment is made to the employee by the company as a part and parcel of the wage & salary administration. Information is also elicited as regards workers participation in management and training & development facilities provided by the company, to its employees.

The sixth parts throws light on the fringe benefits including retirement benefits extended by the Company to the employees as a part of wage & salary administration.

Lastly the seventh part gives details relating to non monetary rewards provided by the Company to the employee such as leave and accident benefits.

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