



## **CHAPTER FIVE**



# **FINDINGS AND RECOMMENDATIONS**

## **5.1 INTRODUCTION**

The data presented and analyzed in the preceding Chapter has led to the drawing of certain conclusions that help to understand the wage and salary administration in the study organization - PELMA Engineering Private Limited (Elmecca Works), Dharwad.

These conclusions also provide guidance for submitting certain suggestions to make the wage and salary administration in the study organization more effective and meaningful. Both the conclusions and suggestions are being presented in this concluding Chapter.

## **5.2 FINDINGS**

### **5.2.1 Personal Information**

From the analysis of the personal information of the sample employees, it has been tried to explore the aspects that have direct and indirect bearing on the wage and salary administration in the study organization. The conclusions in this behalf are as follows:

#### **1. Age**

It is found that majority of the employees in the study organization belong to the active age group of 31-50 years. Clearly, the organization has been able to maintain

experienced and mature people by paying them competitive wages and salary obtainable in the local labour market.

## **2. Education**

It is found that inspite of being located in a rural area, the education level (secondary and technical training) of nearly two-thirds of the employees is commensurate with the medium-level technology being used in the organization. Conversely, the wage structure in the organization is commensurate with the education level of the employees.

## **3. Origin of the Workforce**

The entire workforce of the organization hails from the adjoining area. Being a rural setting, the employees ties with their original towns and villages are rather strong. This characteristic has indeed imparted a degree of stability to the workforce. On the other hand, the stability of the workforce also indicates the employees willingness to compromise on their wages/salary for being nearer to the home town and villages.

## **4. Length and Nature of Service**

Ninety percent employees are with the organization for 10 to 30 years. They also are permanent employees enjoying job security. In other words, the organization has a stable workforce and consequently, low labour turnover.

## **5. Dependents**

About three-fourths of employees were found to have between 5 and 8 dependents, indicating that they lead largish households; although, in reality, some of these dependents may be the relatives' children come to the city for education (incidentally, Dharwad City is a University town) and the sample employees could be referring to them as 'dependents' only figuratively.

#### **6. Utilization of weekly holidays**

Utilization of weekly holidays is also an important consideration from the wage and salary administration viewpoint, as it is one medium through which an employee spends his spare income or even incurs debt by pursuing costly leisure time activities like partying, card-playing, etc. In the study organization, however, about three-fourths employees spend their weekly holiday attending to domestic/personal chores or simply resting, the remaining engage into small time recreational activities like films, family outings, and visiting friends/relatives.

#### **7. Nearness to the workplace**

It was observed that almost all employees stayed within 10 km. radial distance from the workplace, making their to-and-fro workplace travel that much convenient. Again, about three-fourths of them used some means like bicycle, 2-wheeler, citybus, etc., to reach the workplace that in turn reduced their travel fatigue and maintained their energy reserves and productivity over time.

### **5.2.2 Wage and Salary Administration**

#### **1. Categorization**

There are five main categories of employees in the study organization - Department-heads, staff, inspectors, supervisors, and workers.

#### **2. Wage Payment System**

All the five categories of employees are paid according to the time wage system.

#### **3. Wage Revisions**

Regular wage revisions are implemented in accordance with the agreement between the management and the employees' union.

#### **4. Wage and salary levels**

Majority of the employees receive a monthly salary of less than Rs.3000 which is commensurate with their educational level and the medium-technology nature of their work. The salary level is also commensurate with the cost of living in Dharwad City.

#### **5. Wage Comparability with other Organizations**

It was observed that the wages and salaries paid by the study organization are much higher than those paid by other organizations.

#### **6. Dearness Allowance**

The wage and salary levels indicated above are inclusive of the dearness allowance. It also came out in informal discussions that the employees are satisfied with it.

#### **7. House rent allowance**

All the employees of the organization are paid house rent allowance (HRA) at the rate of 13% of the salary, irrespective of whether they stay in a rented house or in own house.

#### **8. Attendance Bonus**

As an incentive for improving the workers' attendance, the organization pays an attendance of bonus of Rs.10 per month for being present on all the working days of the month.

#### **9. Canteen & Canteen Allowance**

The company provides to its employees free-of-cost canteen facilities that includes tea twice and refreshments in a shift, in addition to a canteen allowance of Rs.1.50 per shift.

#### **10. Uniform & Washing Allowance**

All permanent workers are provided two uniforms in a year. Also, a washing allowance of Rs.1.50 per shift is paid to these workers. In addition, the workers working in the hazardous areas are provided gumboots, safety goggles and other safety items.

#### **11. Other Allowances**

In informal discussions, some of the employees revealed their dissatisfaction about the inadequacy of the existing allowances as also about the non-payment of leave travel allowance, conveyance allowance, etc.

#### **12. Paid Holidays and Leave**

Weekly holidays, paid holidays and leaves like casual leave, earned leave and medical leave, as provided under the Factories Act, Industrial Disputes Act and ESI Act, are enjoyable by all the employees.

Casual leave of nine days in a year, but not exceeding three days at a time except in case of sickness, is allowed to every employee, Earned leave is allowed as per law. Leave encashment facility is also allowed to them.

#### **13. Labour turnover**

The yearly labour turnover was found to be less than 5%, which was attributable to the attractive wage and salary structure.

#### **14. Accidents & Workmen's Compensation**

There had never been a major accident giving rise to workmen's compensation claims due to death or disability in the company. In case of minor accidents, workers are fully reimbursed medical expenses compensated as also allowed paid leave during treatment.

**15. Overtime Payments**

Overtime work is not a regular feature in company's production planning. However, for meeting certain exigencies, the executive director is empowered to allow overtime work in any department, for which the workers are paid the normal wage rate.

**16. Bonus Payments**

The employees are paid annual bonus at the statutory rate of 8.33% of the net wages/salary. In addition, certain ex-gratia percentage is also allowed, depending on the company's ability to pay and after an agreement with the employees' union.

**17. Incentive Plans**

As the presently used system of different allowances acts as a strong motivator for better work output, no separate, production-related incentive plans have been adopted by the company to induce the workers to further enhance their productivity. This, in a way, is a strategic choice. The company produces precision components for advanced machine-tools, where total quality control is the main criterion. Compromising the quality for the sake of quantity may actually result in rejections of these components at the customers' end.

**18. Gratuity Payment**

After a minimum of 5 years' service, an employee is entitled to receive the gratuity as per the Payment of Gratuity Act, when his services end either on retirement, resignation or discharge.

**19. Retirement Benefits**

On retirement, an employee is entitled to receive lump sum payments gratuity and provident fund. He also starts to receive monthly pension if he has opted for Family Pension Schemes under the Employees Provident Fund Act. On the company's

part, his gratuity and leave encashment amount, if any, are paid immediately to enable him to begin his post-retirement rehabilitation forthwith.

### **5.3 RECOMMENDATIONS**

In view of the conclusions recorded hereabove, the following suggestions are being presented to further improve the study organization's wage and salary administration.

#### **5.3.1 Monetary Benefits**

##### **1. Attendance Bonus**

The present quantum of attendance bonus of Rs.10/- be increased to atleast Rs.20/- per month. Also, presently the attendance bonus is payable only if the employee is present on all the working days of the month. It is suggested that atleast three grace days, on account of casual/earned/on-duty leave, be allowed.

##### **2. City Compensatory Allowance (CCA)**

A CCA be paid to the employees living in the twin cities of Dharwad and Hubli, as they have to shoulder comparatively more expenses on account of housing, children's education, travelling, etc. The CCA be fixed as a certain percentage of the basic salary or may be linked with the State's Consumer Price Index (CPI). An employee staying outside the municipal limits of these two cities shall not be eligible to receive the CCA.

##### **3. House Rent Allowance (HRA)**

Presently, the HRA payable to the employees is fixed at 13% of the net salary, while the actual rent for a reasonable housing in and around Dharwad City far exceeds this amount. It is suggested that the HRA be increased suitably to provide relief to the employees on this count.



#### 4. Vehicle/Conveyance Allowance

Majority of the employees reside within the radial distance of 10 kms. of the factory and use some vehicle for coming to work. All of them are presently paid some conveyance allowance, which they feel is inadequate. For their punctual arrival to work, it is necessary that their vehicles - bicycles and 2-wheelers - are in top condition. One way of ensuring this is to allow them sufficient vehicle allowance.

The employees who rely on public transport like citybus and trains may also be compensated through adequate conveyance allowance.

#### 5. Grievance Redressal

Presently, the employee grievances, including wage and salary grievances, are handled informally, that is an aggrieved employee may approach any one of his superiors, even two ranks above, for redressal. Occasionally, a minor grievance may reach the executive director for redressal. This is a time-consuming and irritation-building process.

The cardinal principle in handling employee grievances is that it should be settled as soon as possible and as near as possible to the point of its origin. Festering individual and collective grievances ultimately lead to employee demotivation and problem people. One way of avoiding ugly future situations is to constitute a grievance committee with both management's and employees' representative that would meet regularly and is authorized to take the decisions binding on both the parties. It is suggested that the study organization constitute such a committee.

### **5.3.2 Non-Monetary Benefits**

#### **1. Canteen**

There should be a separate building for the canteen, where besides just tea and light refreshment, employees can have soft-drinks, biscuits, snacks and meals. A clean, well-lit, adequately furnished and stocked canteen would go a long way in boosting the employee morale. The company may also subsidize snacks and meals available in the canteen and maintain a quality standard of the eatables.

#### **2. Rest-Rooms**

The present rest-room facilities in the factory are found to be inadequate. These need to be upgraded and expanded forthwith to enable the workers to take brief rests during break periods. A rest room-cum-recreation room adjoining the canteen building would serve the purpose adequately.

#### **3. Recreation**

The recreation club be revived and atleast some recreation material like daily newspapers, a few magazines of general interest, radio and television be provided. The recreation club committee may supervise the functioning of the recreation activities.

#### **4. Employee Housing**

The study organization is a reputed industrial concern of long standing in Dharwad City. As has come out under this work, its employees live dispersed in Dharwad/Hubli Cities and the villages around. The organization should avail of the industrial housing schemes available from the government and construct a housing colony for its workers nearer to the factory, which then it may provide to the workers on subsidized rent.

Alternatively, it may promote employees' cooperative housing society, in which case, the company's financial liability would be reduced only to promotion expenses.

The company may subsidize the interest payments on the housing loans and arrange for the deduction of loan instalments from the employees' salary.

#### 5. Employee Merit Recognition and Appreciation

There are several ways to motivate employees through non-monetary benefits, one of them being to recognize individual and collective employee merit. To this extent, the company may institute suitable awards for 'Best Suggestion', 'Best Performance', 'Best Team Effort', etc., and ceremonially give away mementos, plaques and appreciation certificates to the winners. On the one hand, it will give a tremendous sense of job satisfaction to the awardees; on the other, it will provide an incentive to others to try for these.

#### 6. Human Resource Planning

Conceptually, human resource planning (HRP) is an integral part of the organizational planning. HRP, in advance, gives the organization the idea of the wage and salary administration situations it is likely to face in relation to the organizational planning. HRP assumes crucial significance especially when the organization is planning for growth.

The study organization is a technology-dependent company and is poised for further growth. HRP is of critical importance to it, in relation to the anticipated technological changes and their consequences on the present and future manpower and on the wage and salary administration. It is suggested that the Company should undertake an energetic exercise in this behalf.

This report is thus concluded with the above set of suggestions.

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