

CHAPTER - I

INTRODUCTION

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CHAPTER - I :

INTRODUCTION

(A) IMPORTANCE OF PERSONNEL MANAGEMENT :

The importance of Personnel Management is being increasingly realised in industrial and non-industrial organisations both in India and abroad. This realisation has come about because of increasing complexity of the task of managers and administrators. In the management of four Ms - Money, Materials, Machines and Men - it is needless to state that, considering the nature of man, the management of men is fundamental and dynamic. It is the men, not machines, not materials and not money who make or mar, the organisation and no organisation is sounder than the men available in it. Hence the science of personnel management has come to be known as

science of Human Resources Management in modern times.

Lawrence A Appley, President, American Management Association has aptly stated, "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."

The soundness of any business depends in toto upon its people and the mission of Personnel Management is to assure a steady source of sound people that can contribute to the success of business enterprise. 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 about an improvement in knowledge, skill, habits and attitudes that will ultimately express itself - productively in work and constructively in human relations. Personnel Managers have a great responsibility to shoulder in promoting the optimum utilization 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. They should assist employers not only in formulating proper, human and progressive personnel policies and procedures but also in -

implementing them effectively in an industrial organisation. The mission of personnel administration is to create a humane 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 growthmanship.

(B) ROLE OF WAGE AND SALARY ADMINISTRATION :

Wage and Salary Administration is one of the vital areas of personnel administration, for sound wage and salary policies and programmes are essential to procure, maintain, develop, promote and transfer employees and to get effective results from them. The employees working in any unit expect that any wage differentials that exist in plant are due to explainable causes and that they have a sound basis in fact and are not due to favouritism, lack of uniformity or judgement between supervisors in granting increases or the results of the 'squeaky wheel getting the grease'. They expect wage rates to be consistent with job requirements and job performance. If the rates are not consistent, dissatisfaction is prevalent and grievances over wage are common. The task of wage administration is to iron out the grievances of the workers and provide them perfect contentment and to maintain organisational morale at high level.

Wage and salary administration refers to the establishment and implementation of sound policies and practices of Employee Compensation. It includes such areas as job evaluation, surveys of wage and salaries, analysis or relevant organisational problems, developments and maintenance of wage structure, establishing rules for administering wages, wage-payments, incentives, profit sharing, wage charges and adjustments, supplementary payments, control of compensation, costs and other related items.¹

The basic purpose 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 optimal 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 Keer

1. Beach D. S. : Personnel, The Management of People at work, 1977, P. 642.

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 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.²

Dale Yoder observes in his book Personnel Management and Industrial Relations, that "wage and salary administration involves the selection, development and direction of programmes designed to implement compensation or incentivisation policy through financial rewards in wage and salary administration, managers translate selected policy into a wide range of - compensation programmes, from the simplest hourly wage or monthly salary to much more complex incentive wage plans and combinations of wages and employee benefits and services."

The wage systems should be sufficient to ensure for the worker and his family a reasonable standard of living. There should be an equal pay for equal work. Difference in pay should be based upon variations in job requirements such as skill,

2. Mamoria C. B. : Personnel Management, 1984, P. 482.

effort, responsibility, job or working conditions and mental and physical requirements. The wage and salary structure should be flexible so that changing conditions can be easily met. Wages should be related to the cost of living index and should be adjusted accordingly so that the real wages remain stable.

As far as possible, wages and salaries should be paid in monetary terms as money is the only form of incentive which is wholly negotiable appealing to the widest possible range of seekers monetary payments often act as motivators and satisfiers interdependently of other job factors. Also they give employees a feeling of independence from their employer. Where the part of the compensation is paid in kind or services, employee should be free to choose between goods and money. Incentives should be set sufficiently high to motivate workers to greater productivity.

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 business. This, in turn, determines the choice of compensation system that conducive to productivity, i.e. to production at a low unit cost. To achieve this goal one does not need to pay low wages. Payment to employees in the form of compensation for their work must be such that recruitment and maintenance of the

labour force will not become difficult. Skills, training, experience, and other requirements must be sufficiently rewarded to offer incentives to all employees to remain in their jobs, irrespective of the wage system that was adopted by the enterprise to reward high output.

According to Beach D. S., "A sound wage and salary administration tries to achieve the following objectives."

(a) FOR EMPLOYEES :

- (i) Employees are paid according to requirements of their jobs i.e. highly skilled jobs are paid more compensation than low skilled jobs. This eliminates inequalities.
- (ii) The chances of favouritism are greatly minimised.
- (iii) Job sequences and lines of promotion are established wherever they are applicable.
- (iv) Employees' moral and motivation are increased because a wage programme can be explained and is based upon facts.

(b) TO EMPLOYERS :

- (i) They can systematically plan for and control their labour costs.

- (ii) In dealing with 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 inequities.
- (iv) It enhances employee's moral and motivation because adequate and fairly administered wages are basic to his wants and needs.
- (v) It attracts qualified employees by ensuring an adequate payment for all the jobs.

According to Beach, wage and salary programmes have four major purposes :-

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

The policy of effective wage and salary administration is a tool in the hands of management with the help of which

it can achieve better and improved performance and maintain the organisational moral at high level. It will assist to management in achieving production targets, improving production, productivity, eliminating wastage and in achieving optimum utilisation of machinery and manpower. It will also result in reduced cost of recruitment, selection and training by providing a permanent and well-content labour force. The problem of industrial unrest can be solved by the help of an effective wage and salary structure. Wage and salary administration, therefore, assumes greater importance in India, whose industrial unrest is a burning problem.

(C) OBJECTIVES & PURPOSE OF STUDY :

The main objective of the present study is to understand the various elements of wage and salary such as pay, allowances, bonus and incentives etc. introduced by The Kolhapur Steel Ltd. The study mainly aims at and covers the following aspects :-

(1) The organisational structure, categorisation and standardisation of the labour force of the company.

(2) Incentive schemes introduced to motivate the workers and their impact on production, productivity and moral of workers.

(3) Various labour welfare activities undertaken by the Company and their 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) The Wage Agreements made between the management and the representatives of union of workers.

(6) Employment opportunities created by the Company in the rural area.

D. METHODOLOGY :

1. SELECTION OF UNIT :

The researcher has selected 'The Kolhapur Steel Ltd., Shirol (Pulachi), Kolhapur' as the unit to study the wage and salary administration.

2. SELECTION OF PERIOD :

A period of five years from 1980 to 1984 is selected for the study purpose.

3. SOURCES OF DATA COLLECTION :

The data required for the study are collected through 'questionnaire' from selected respondents of various categories of workers, office staff and supervisors of the Company.

Besides this, the other information is collected through the following records maintained by the personnel department of the company.

- (1) Muster roll
- (2) Pay-sheets
- (3) Annual Reports
- (4) Wage Agreements
- (5) Interviews and discussions with the Labour Officer and other officers of the company.

LIBRARY RESOURCE :

Various books and journals on Personnel Management has also been made use of.

(E) LIMITATION OF THE STUDY :

Since the study is undertaken as part of fulfilment of the requirements of the Degree Course of Master of Philosophy in Commerce, the researcher has limited his study to only one unit in the engineering industry.

Further since the dissertation is required to be submitted to the University within a prescribed period of time, the period of study is limited to five years from 1980 to 1984.