BBA –III YEAR

WAGES AND SALARY MANAGEMENT

UNIT NO.	TOPICS
1	Introduction of Wages and Salary Management: Concept, Objectives Need, Characteristics and challenges of wages and salary management, General concept of wages and salary -Definition, Meaning and characteristics of wages and salary. Difference between wages and salary.
2	Facts of Wages: Wages structure, type of wage, theories of wage, fixation and payment of wage, payment of overtime.
3	Salary Structure: Meaning and description of basic pay, Dearness allowance, House Rent Allowance and Other Allowances. Salary fixation- Principles, increment of Salary and Bonus. Incentive plans - Individual and group incentive plans, Profit Sharing Scheme, Employee stock ownership plan and Fringe benefits. Retirement benefits - Description of Provident fund, Gratuity and pension.
4	Job Evaluation and Record Keeping : Concept, Need and Techniques of Job evaluation, Labour Transfer - Causes and impact. Record Keeping of Wages and Salary- e-record keeping of payment, Tax deduction, wage roll and payroll, pay slips and payroll reports.
5	Regulation of Wages and Salary Administration in India: Brief description of Labour Act, Wage Board and Pay Commission. Implementation of minimum wage act in India. Relation between trade unions and industries in the light of wage revision and labour welfare.

UNIT-1

Introduction to Wages and Salary Management:

Wages and salary management is a crucial aspect of human resource management that involves the administration and control of financial compensation to employees for the work they perform. It encompasses various processes, policies, and systems designed to ensure fair and competitive compensation, aligning with organizational goals and industry standards.

Concept of Wages and Salary Management:

Wages and salary management refers to the systematic and strategic approach adopted by organizations to attract, retain, motivate, and reward employees through effective compensation practices. It involves the establishment of equitable pay structures, salary scales, and incentive programs.

Objectives of Wages and Salary Management:

- Attract and Retain Talent: To attract skilled and competent individuals to the organization and retain them by offering competitive compensation packages.
- Motivation: To motivate employees by linking compensation to performance through incentive plans, bonuses, and other reward mechanisms.
- Equity and Fairness: To establish fair and equitable compensation structures that reflect the value of each job and ensure internal and external pay equity.
- Cost Control: To manage labor costs efficiently while ensuring that compensation remains competitive in the industry.
- Compliance: To adhere to legal and regulatory requirements related to wages, overtime, and other compensation elements.

Need for Wages and Salary Management:

- Talent Competition: In a competitive job market, organizations need effective wages and salary management to attract and retain top talent.
- Employee Morale: Fair and competitive compensation contributes to high employee morale and job satisfaction.
- Productivity: Properly managed wages and salary systems can enhance employee productivity and performance.
- Legal Compliance: To comply with labor laws and regulations regarding minimum wages, overtime, and other compensation-related matters.

Characteristics of Wages and Salary Management:

- Systematic Approach: Wages and salary management involves a systematic and structured approach to designing, implementing, and monitoring compensation programs.
- Performance Linkage: Compensation is often linked to performance through merit-based pay, bonuses, and other incentive schemes.
- Flexibility: The system should be flexible enough to adapt to changes in the internal and external environment, including economic conditions and industry standards.

- Equity: Ensuring fairness and equity in compensation structures, avoiding discrimination based on gender, race, or other factors.

Challenges of Wages and Salary Management:

- Market Fluctuations: Economic uncertainties and market fluctuations can pose challenges in determining competitive yet cost-effective compensation packages.
- Employee Expectations: Meeting the diverse expectations of employees regarding compensation, which can vary based on individual preferences and perceptions.
- Retention vs. Cost Control: Balancing the need to retain key talent with the imperative to control labor costs.
- Changing Regulations: Adapting to evolving labor laws and regulations, which may impact compensation practices.

General Concept of Wages and Salary:

Definition: Wages refer to the payment made to hourly or daily workers, usually associated with manual or non-managerial work. Salary, on the other hand, is a fixed and regular payment made to employees, typically on a monthly basis, regardless of the number of hours worked.

Meaning: Wages and salary represent the monetary compensation provided by employers to employees for their services.

Characteristics of Wages and Salary:

- Regularity: Salaries are generally paid on a regular schedule (e.g., monthly), while wages may vary based on hours worked.
- Job Type: Wages are often associated with hourly or daily jobs, while salaries are more common in professional, managerial, or administrative roles.
- Consistency: Salaries remain constant, while wages may vary based on factors like overtime or part-time work.

Difference between Wages and Salary:

- Payment Structure: Wages are typically based on an hourly or daily rate, while salaries are fixed and paid on a monthly or annual basis.
- Frequency: Wages may be paid more frequently (e.g., weekly), while salaries are usually paid monthly.
- Job Type: Wages are commonly associated with hourly or non-exempt jobs, while salaries are prevalent in exempt, professional, or managerial positions.

In conclusion, wages and salary management plays a vital role in organizational success by aligning compensation with business objectives and ensuring the fair and competitive remuneration of employees.

UNIT-2

1. **Wages Structure:**
    - **Definition:** The wages structure of an organization is the systematic arrangement of various components that make up an employee's compensation package.
    - **Components:** This structure typically includes base pay, bonuses, incentives, benefits, and other forms of remuneration. Base pay is the fixed amount an employee receives regularly, while bonuses and incentives may be performance-based or tied to achieving specific goals.
    - **Purpose:** The primary purpose of a well-defined wages structure is to ensure transparency, equity, and consistency in compensating employees. It provides a clear framework for employees to understand how their total compensation is determined.
2. **Types of Wage:**
    - **Time-Based Wages:** This type of wage is common in hourly or part-time positions where employees are paid for the number of hours worked. It is straightforward and easy to calculate.
    - **Piece-Rate Wages:** In this system, employees are paid based on the quantity of work they produce. This is often used in manufacturing or production settings where output can be easily measured.
    - **Commission-Based Wages:** Employees earn a commission based on the sales or revenue they generate. This is prevalent in sales and marketing roles and provides an incentive for employees to maximize their sales efforts.
    - **Salary:** Salaried employees receive a fixed amount of compensation regularly, regardless of the number of hours worked. This is common in managerial and professional roles where the focus is on job responsibilities rather than hours worked.
3. **Theories of Wage:**
    - **Equity Theory:** This theory posits that employees compare their inputs (effort, skills, dedication) to the outcomes (compensation) and seek fairness in the relationship. Disparities in perceived fairness may lead to job dissatisfaction and other negative outcomes.
    - **Efficiency Wage Theory:** According to this theory, paying employees higher wages than the market rate can lead to increased productivity and lower turnover. Higher wages may motivate employees to perform better and reduce the costs associated with recruiting and training new staff.
    - **Human Capital Theory:** This theory links an individual's wage to their human capital, which includes their education, skills, and experience. It emphasizes the idea that investing in one's human capital through education and training can lead to higher earning potential.

4. **Fixation and Payment of Wage:**
    - **Job Evaluation:** Organizations conduct job evaluations to determine the relative worth of different positions within the company. This evaluation influences the fixation of wages, ensuring that roles with higher responsibilities and requirements are compensated accordingly.
    - **Market Forces:** External factors, such as industry standards and market conditions, also play a role in fixing wages. Employers often benchmark their compensation packages against competitors to attract and retain talent.
    - **Negotiation and Bargaining:** Wage fixation can be influenced by negotiations between employers and employees, either individually or collectively through unions. The bargaining process considers factors like inflation, cost of living, and the financial health of the organization.
5. **Payment of Overtime:**
    - **Definition:** Overtime refers to the hours worked by an employee beyond the standard workweek or workday.
    - **Overtime Rates:** Employees typically receive premium rates for overtime work, often set at time-and-a-half or double-time. This higher rate serves as an incentive for employees to take on additional hours.
    - **Regulatory Compliance:** Overtime compensation is subject to labor laws and regulations to ensure that employees are fairly compensated for the extra time they put in. Employers must adhere to these regulations to avoid legal issues and maintain a fair work environment.

These detailed notes provide a comprehensive understanding of the various aspects related to the facts of wages, covering the structure, types, theories, fixation, and payment of wages, as well as the concept of overtime compensation.

UNIT-3

Salary Structure:

Meaning:

- **Salary Structure:** The salary structure is a framework that outlines the various components of an employee's compensation. It includes basic pay and additional allowances and benefits.

Description of Components:

1. **Basic Pay:**
    - **Definition:** Basic pay is the fixed amount of compensation an employee receives before any allowances or deductions.
    - **Purpose:** It forms the foundation of an employee's salary and is often linked to the employee's position, skills, and experience.
2. **Dearness Allowance (DA):**
    - **Definition:** DA is an allowance provided to employees to offset the impact of inflation on their purchasing power.
    - **Calculation:** It is usually a percentage of the basic pay and is revised periodically based on the cost of living index.
3. **House Rent Allowance (HRA):**
    - **Definition:** HRA is an allowance to help employees meet the cost of renting accommodation.
    - **Calculation:** The amount varies based on the employee's salary and the city's cost of living. It is a percentage of the basic pay.
4. **Other Allowances:**
    - **Description:** Various allowances such as travel allowance, medical allowance, and special allowances may be included based on the organization's policies.
    - **Purpose:** These allowances address specific needs or circumstances of employees, enhancing the overall compensation package.

Salary Fixation:

Principles:

1. **Market Forces:** Consideration of industry standards and prevailing market rates ensures competitiveness.
2. **Internal Equity:** Ensuring fairness and consistency within the organization by aligning salaries with job roles and responsibilities.

3. **Employee Performance:** Performance-based salary adjustments promote a meritocratic culture and motivate employees to excel.
4. **Budgetary Constraints:** Balancing salary increments with the organization's financial capabilities to maintain fiscal responsibility.

Increment of Salary:

- **Annual Increment:** Typically, employees receive an annual salary increment based on factors like individual performance, market trends, and organizational financial health.
- **Promotion Increments:** Salary increases may accompany promotions to reflect increased responsibilities and skills.

Bonus:

- **Definition:** A bonus is a one-time payment to employees, often linked to individual or company performance.
- **Types:** Performance bonuses, profit-sharing bonuses, and signing bonuses are common.
- **Purpose:** Encourages motivation, recognizes achievements, and aligns employees with organizational goals.

Incentive Plans:

Individual Incentive Plans:

1. **Commission-Based:** Sales employees earn a commission based on the sales they generate.
2. **Piece-Rate:** Employees receive incentives based on the quantity or units of work completed.

Group Incentive Plans:

1. **Profit Sharing Scheme:**
    - **Definition:** Employees receive a share of the company's profits.
    - **Purpose:** Fosters a sense of ownership, aligning employees with organizational success.
2. **Employee Stock Ownership Plan (ESOP):**
    - **Definition:** Employees receive company shares, linking their financial interests with the company's performance.
    - **Purpose:** Encourages long-term commitment, as employees benefit from the company's growth.
3. **Fringe Benefits:**
    - **Definition:** Non-monetary benefits provided to employees, such as health insurance, retirement plans, and wellness programs.
    - **Purpose:** Enhances the overall compensation package, promoting employee well-being and satisfaction.

Retirement Benefits:

1. **Provident Fund:**
    - **Definition:** A retirement savings scheme where both employees and employers contribute a portion of the employee's salary.
    - **Purpose:** Provides financial security to employees upon retirement.
2. **Gratuity:**
    - **Definition:** A lump-sum payment by the employer to the employee as gratitude for long-term service.
    - **Eligibility:** Typically granted after a certain period of continuous service.
    - **Purpose:** Recognizes and rewards employees for their dedication and loyalty.
3. **Pension:**
    - **Definition:** A regular payment made by the employer to the retired employee, often based on a percentage of the final salary.
    - **Purpose:** Ensures a regular income for employees after retirement.

UNIT-4

Job Evaluation:

Concept:

- Definition: Job evaluation is a systematic process used to determine the relative worth of jobs within an organization. It helps establish an internal hierarchy of jobs based on factors such as skill requirements, responsibilities, and working conditions.
- Objective: To ensure fair and equitable compensation by aligning job values with the organization's overall compensation structure.

Need:

1. Internal Equity: Establishes a fair and consistent pay structure within the organization.
2. Attracting and Retaining Talent: A transparent job evaluation process can help attract and retain skilled employees by offering competitive compensation.
3. Motivation: Employees are motivated when they perceive that their compensation is fair relative to the value of their work.
4. Legal Compliance: Job evaluation helps organizations comply with equal pay and anti-discrimination laws.

Techniques of Job Evaluation:

1. Job Ranking Method:
    - Jobs are ranked from highest to lowest based on their value to the organization.
    - Simple but lacks precision.
2. Job Grading Method:
    - Jobs are placed into predefined grade levels based on predetermined criteria.
    - Each grade has a range of salaries.
3. Point Factor Method:
    - Jobs are evaluated based on a set of factors like skill, effort, responsibility, and working conditions.
    - Points are assigned, and the total points determine the job's value.
4. Factor Comparison Method:
    - A combination of ranking and point factor methods.
    - Jobs are compared against a benchmark using predetermined factors.

Labour Transfer:

Causes:

1. Organizational Restructuring: Changes in organizational structure may lead to the need for labor transfers.
2. Employee Performance: Poor performance or skills mismatch may necessitate transfers.
3. Job Rotation: Planned transfers to provide employees with varied experiences and skills.
4. Employee Request: Personal reasons or preferences may drive employees to request transfers.
5. Organizational Expansion or Contraction: Changes in business size or scope may trigger transfers.

Impact:

1. Employee Morale and Motivation: Positive transfers can boost morale, while negative transfers may demotivate employees.
2. Skills Enhancement: Transfers for skill development can benefit both employees and the organization.
3. Team Dynamics: Transfers may impact team dynamics, requiring careful management to maintain cohesion.
4. Employee Engagement: Well-handled transfers contribute to employee engagement and job satisfaction.

Record Keeping of Wages and Salary:

E-Record Keeping of Payment:

- Definition: Electronic record-keeping involves the use of digital systems to store and manage payment-related information.

- Benefits: Improves efficiency, accuracy, and accessibility of payment records.

Tax Deduction:

- Recording Tax Deductions: Employers must maintain records of tax deductions from employee salaries for income tax purposes.
- Compliance: Ensures compliance with tax regulations and facilitates accurate reporting.

Wage Roll and Payroll:

- Wage Roll: A list of employees and their wages for a specific period.
- Payroll: Comprehensive record of all financial aspects of employee compensation, including wages, taxes, and deductions.
- Purpose: Facilitates accurate payment processing and financial reporting.

Pay Slips and Payroll Reports:

- Pay Slips: Documents provided to employees detailing their earnings, deductions, and net pay for a specific period.
- Payroll Reports: Comprehensive reports generated from payroll data, aiding in financial analysis, budgeting, and compliance.

Significance of Record Keeping:

1. Legal Compliance: Ensures compliance with labor laws, tax regulations, and reporting requirements.
2. Transparency: Provides transparency to employees regarding their compensation and deductions.
3. Audit Trail: Creates an audit trail for financial and compliance audits.
4. Decision-Making: Facilitates informed decision-making related to compensation, budgeting, and resource allocation.

UNIT-5

Regulation of Wages and Salary Administration in India:

1. **Labour Acts:**
   - **Overview:** In India, wages and salary administration are regulated by various labor laws aimed at ensuring fair practices and protecting the rights of workers.
   - **Key Acts:**
     - **Payment of Wages Act, 1936:** Ensures timely and full payment of wages to employees and prohibits unauthorized deductions.
     - **Minimum Wages Act, 1948:** Establishes a mechanism for fixing and revising minimum wages to prevent exploitation of labor.
     - **Payment of Bonus Act, 1965:** Regulates the payment of bonuses to employees in certain establishments.
2. **Wage Board:**
   - **Definition:** A Wage Board is a tripartite body constituted to review and recommend revisions to wages and service conditions in specific industries.
   - **Function:** Wage Boards examine the financial conditions of industries and recommend fair wages, taking into account the interests of both employers and employees.
   - **Example:** In India, Wage Boards have been constituted for various sectors, including the newspaper industry.
3. **Pay Commission:**
   - **Definition:** Pay Commissions are appointed by the Government of India to review and recommend changes in the salary structure of government employees.
   - **Purpose:** To ensure that government employees receive fair compensation in line with the economic conditions and to maintain a motivated and efficient workforce.
   - **Example:** The Pay Commission of India, such as the Seventh Pay Commission, has been instrumental in recommending salary revisions for government employees.

Implementation of Minimum Wage Act in India:

1. **Minimum Wages Act, 1948:**
   - **Objective:** The primary goal is to prevent exploitation of labor by fixing and revising minimum wages that employers must pay to certain categories of workers.
   - **Determinants:** Minimum wages are determined based on factors such as the nature of work, skill required, and prevailing socio-economic conditions.
   - **Applicability:** The Act is applicable to all employees and workers who fall within scheduled employments.

2. **Implementation Process:**
    - **Scheduled Employments:** The Act categorizes employments into schedules, and each schedule outlines the minimum rates of wages applicable.
    - **Components:** The minimum rate may consist of a basic rate of wages and a special allowance at a rate to be adjusted, at such intervals and in such manner as the appropriate government may prescribe.
    - **Revision:** Periodic revisions are made by the appropriate government to ensure that minimum wages are reflective of changing economic conditions.

Relation between Trade Unions and Industries in the Light of Wage Revision and Labour Welfare:

1. **Trade Unions:**
    - **Role:** Trade unions act as collective bargaining agents for workers, advocating for their rights and welfare.
    - **Functions:** Negotiating with employers on issues such as wages, working conditions, and labor welfare measures.
    - **Collective Bargaining:** Trade unions engage in collective bargaining with employers to secure better terms for workers.
2. **Wage Revision:**
    - **Negotiation Process:** Trade unions play a crucial role in negotiating wage revisions on behalf of workers.
    - **Demands and Settlements:** Unions often present wage-related demands during negotiations, and settlements are reached through discussions with management.
3. **Labour Welfare:**
    - **Definition:** Labour welfare includes measures and facilities provided by employers to improve the working conditions and living standards of workers.
    - **Trade Union Advocacy:** Trade unions advocate for better labor welfare measures, such as health and safety initiatives, housing facilities, and educational benefits.
    - **Strikes and Agitations:** In some cases, trade unions resort to strikes or agitations to press for their demands related to labor welfare.
4. **Collaborative Approach:**
    - **Mutual Understanding:** Successful wage revisions and labor welfare initiatives often result from a collaborative approach where trade unions and industries engage in constructive dialogue.
    - **Balancing Interests:** Both parties aim to strike a balance between the interests of workers and the economic viability of industries.