A STUDY ON EMPLOYEE WAGE AND SALARY ADMINISTRATION

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ABSTRACT

We are living in a knowledge economy in which ideas are the currency contributing to wealth generation. Research and development, inventions and innovations are the prime determinants of success and all these happen through human knowledge. Therefore, human resources are today considered as the most important contributors for the growth and success of organizations. Organizations are engaged in a war for quality human resources and for members of the top management, talent management is a prime focus area. An organization requires qualified, skilled and motivated employee to achieve its objective efficiently. Employees to be compensated suitably for their efforts. Compensation is the sum of all rewards provided by an employer to his employees for their efforts. It plays an important role in motivating employees towards better performance. Wage and salary administration is the group of activities involved in the design, implementation and maintenance of a compensation system. It is a systematic approach to ensure that employees are paid in a fair, logical and equitable manner. A good wage and salary administration should be able to attract and retain employees in an organization. Since employees moral, motivation, productivity and their relationship with the management more or less associated with the compensation management system.

Keywords: Administration, Compensation, Remuneration

1. INTRODUCTION

An organization requires qualified, skilled and motivated employee to achieve its objectives efficiently. Employees need to be compensated suitably for their efforts. Compensation is the sum of all rewards provided by an employer to his employees for their efforts. It plays an important role in motivating employees towards better performance.

Wage and salary administration is the group of activities involved in the design, implementation and maintenance of a compensation system. It is a systematic ongoing process of maintaining wage and salary structure. It is a systematic approach to ensure that employees are paid in a fair, logical and equitable manner.

2. OBJECTIVES OF WAGE AND SALARY ADMINISTRATION

BALANCED AND RATIONAL STRUCTURE
The wages and salary structure should be balanced and rational. It should be based on thorough analysis, sound logic and judgement.

BASED ON RELATIVE WORTH OF JOBS

The pay structure should be based on the relative worth of jobs. Qualifications, talents, skills require and importance to the organisation should be considered.

RETENTION OF TALENTS

The pay structure should be able to retain the existing talent in the organisation. It should be comparable to industry standards.

ATTRACTION OF TALENT

The wage and salary scheme should be designed to attract qualified and talented persons to join the organisation. It should be enable the company to build a skilled workforce.

IMPROVE MORAL AND MOTIVATION

The pay structure should be able to improve the moral an motivation of the workforce. It should provide sufficient incentives to perform better.

BETTER RELATIONS WITH THE UNION

Unions expect the wages and salary structure to be fair and objective. Providing fair pay with provision for rewarding and recognising good performance leads to better relations.

BASED ON CAPACITY TO PAY

The wages and salary administration should design pay schemes based on the organisation capacity to pay.

IN ACCORDANCE WITH LEGAL PROVISION

The wages and salary policies should be in accordance with the legal provisions. It should not go against any of the relevant laws

TO BUILD IMAGE AND REPUTATION
Wages and salary policies should be establish a good image and reputation of the firm. It should be able to project that the firm is fair, objective and rewards goods performance.

PRINCIPLES OF WAGES AND SALARY ADMINISTRATION

- Wage and salary administration policies should be based on the organisation plan and policies.
- It should be flexible.
- It should be simple to understand and operate.
- Wage and salary plans should be responsive to changing conditions.
- It should be in tune with the social and economic goals of country.
- Pay should be according to the relative worth of jobs.
- There should be a provision for settling grievances relating to pay.
- The pay received by employees should be able provide them reasonable standard of living.
- Payments due employees should be paid promptly without delays.
- The employee union should be kept informed about pay fixation.
- The pay received by employees should be based on their contribution and performances.
- It should reinforce positive behaviour.
- It should consider the interests of both the employer and the employee.

FACTORS INFLUENCING WAGE

- Firms ability to pay: The basic factor influencing salary levels is the capacity of the firm to pay. Profitable and established companies can pay more.
- Nature of the job: If the job is difficult, involves threat to life or has to be performed in a dangerous location, pay would be higher.
- Qualifications required: Job requiring specialised qualifications involving long years of study have higher pay levels.
- Pay in other companies in the same industry: Companies have to consider the pay offered by another companies in the same industry.
- Remuneration in other comparable industries: Remuneration offered by other comparable industries is an important factor.
- Cost of living: Pay structure should consider the cost of living of employees.
- Trade union demands: Trade union place demand for increase in salary and wages.
- Government legislation: To protect the interests of the workers government has enacted laws such as Minimum Wages Act, payment of Wages Act etc..
- Demand and supply of labour: Demand and supply of labour influence pay levels.
- Economic conditions of the country: If a country is poor and underdeveloped, the wage and salary levels should be low(e.g. Somalia).
- Company’s policy: some companies have a policy of paying moderate salaries and giving average pay increases.
- Productivity: Productivity levels determine the pay received by employees.
STEPS INVOLVED IN WAGE AND SALARY ADMINISTRATION

- General guidelines and policies relating to the pay system should be developed.
- Job Analysis is conducted.
- Job Evaluation is done.
- Salary surveys are conducted to determine the pay of related companies or industries.
- Individual job must be placed in suitable pay grades.
- The system should be continuously monitored and updated according to changing situations and requirements.

METHODS OF WAGE PAYMENT

TIME WAGE SYSTEM

This is the oldest method of wage payment. The employee is paid based on the spent on the job. The output or the productivity of the workers is not considered. The wage calculation can be on a hourly, daily, weekly or monthly basis.

PIECE RATE PAYMENT

Workers are paid according to number of units produced. Labour rate is fixed per piece of work and the workers are paid according to his output.

BALANCED METHOD

This method combines the aspect of time wages and piece rate. Workers are guaranteed minimum wage on the basis of time rate.

FIG NO 1
WAGE CONCEPTS
WAGES

The International Labour Organisation (ILO) defines wages as, “the remuneration paid by the employer for the services of hourly, weekly, daily and fortnightly employees”. Wages paid to blue collar workers. It is daily, weekly, fortnightly or monthly basis. Wages are paid to whose contribution can be directly measured in terms of money.

BASIC WAGE

Wage that would just be sufficient to take care of the basic needs of food, clothing and shelter for an employee and his family.

MINIMUM WAGES

It is minimum amount of remuneration paid to workers as per provisions of the Minimum Wage Act, 198. It must be provide for the basic necessities of life such as food and clothing and shelter.
FAIR WAGES

Wages paid to workers performing work of equal skill, difficulty or unpleasantness. It is higher than the minimum wages but lower than living wages.

LIVING WAGES

- Education for children.
- Protection against illness
- Meeting essential social needs
- Insurance against unexpected events and provision for old age.

NOMINAL WAGE

It is the wage received expressed in terms of money.

REAL WAGE

It is the wage expressed in terms of goods and service which can be purchased from the money received.

SALARY

It is paid to white collar employees. Salary is paid to those whose contribution cannot be directly measured in terms of money. It is paid on a monthly basis and number of hours worked is not considered.

INCENTIVES

Incentive is extra compensation that is given to an employee for his good performances. It is reward given for performance which is better than the standards set.

3. CONCLUSION

Wages and salary administration must fix the wages in that way which enough for employee to fulfil his basis needs and organisation and are able to pay that wage. Income tax is payable by an assess on his total income all the source of income. Each source has its own unique features and requires specific treatment for correct computation of income form that particular sources. All the heads of income are mutually exclusive. If any income is considered under a particular head, it will not be taken into consideration for anther head.

The present trends in wage pattern are that the gap between the officers `the pay and workers`the pay is narrowing down, and the difference between organized sector and un organised sector. Men and women, casual and regular workers pay in on the rise. The public policy is to reduced
disparity, but it cannot be done overnight. The modern trend in wage in organized sectors is linking it which productivity.

4. REFERENCES