

MANAGING HUMAN RESOURCES

WAGE AND SALARY ADMINISTRATION

B. Com 4th Semester

Unit – 4

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Wage & Salary Administration:

Wage & salary administration is essentially the application of a systematic approach to the problem of ensuring that employees are paid in a logical, equitable and fair manner.

It is a group of activities involved in the development ,implementation and maintenance of a pay system. It can also be called the ongoing process of managing a wage and salary structure.

Significance of wage & salary administration:

Wage & salaries have two different purposes from point of employers & employees.

(i) Employers perceive as a cost of business effort and attempt to reduce it. But they also realise that it is not possible because of these reasons:

(a) Wage & salary are essential to attract and retain an effective work force.

(b) Wage and salary are required to motivate, employees for positive attitudes and better performance.

(c) Employees have to be provided compensation for service rendered by them to the organisation.

(ii) Employees consider wage as a means for satisfying their need to maintain their standard. They also want it equitable with similar skills for doing similar work.

Principles of wage and salary administration:

The main principles that govern wage and salary fixation are three:

1. External Equity
2. Internal Equity
3. Individual Worth.

1. External Equity:

This theory acknowledges the factors/variable affects the pay rate in a corporation outside the organization. Such considerations include demand and supply of labor, the market rate, etc. Unless the changes in the rates of pay and wages take these factors into account, they may not be enough to attract and retain company employees. External equity principles offer a fair reimbursement for similar jobs for employees in the labor market.

2. Internal Equity:

Organizations have various relatively long-term jobs. It ensures that the ideals of different jobs are equivalent to an organization. The salary levels for teachers (professor, reader, and lecturer) within your own department are different depending on perceived or real discrepancies between the qualities of the jobs you do.

The relative value of employment is calculated by work assessment. An ideal reimbursement system should, therefore, establish and maintain suitable differentials based on relative employment values. The compensation system must, in other words, provide for more difficult jobs.

3. Individual Worth:

This principle applies to pay a person following his / her results. The compensation system, therefore, makes it possible, following his contribution to the company, to be paid to the employee.

Objectives of wage & salary administration:

1. To acquire qualified and competent personnel:

Candidates decide upon their career in a particular organisation mostly on the basis of the amount of remuneration the organisation offers. Qualified and competent people join the best-paid organisation. As such, the organisation should aim at payment of salaries at that level, where they can attract competent and qualified people.

2. To retain the present employees:

If the salary level does not compare favourable with that of other similar organisation, employees quit the present one and join other organisation. The organisation must keep the wage & salary structure at the competitive level, with those of similar organisation.

3. To secure internal and external equity:

Internal equity does mean payment of similar wages for similar jobs within the organisation. External equity implies that payment of similar wages to similar jobs in comparable organisations.

4. To ensure desired behaviour:

Good rewards reinforce desired behaviour like performance, loyalty, accepting new responsibilities and changes etc.

5. To keep labour and administrative costs in line with the ability of the organisation to pay.

6. To project in public as progressive employers and to comply with the wage legislations.

7. To pay according to the content and difficulty of the job and in tune with the effort and merit of the employee.

8. To facilitate pay roll administration of budgeting and wage and salary control.

9. To simplify collective bargaining procedures and negotiations.

10. To promote organisation feasibility

MULTIPLE CHOICE QUESTIONS

1. Wages represents _____ rates of pay.

- a. Hourly
- b. Daily
- c. Weekly
- d. Monthly

2. _____ are also called 'payments by results'.

- a. allowances
- b. claims
- c. incentives
- d. fringe benefits

3. Incentives depends upon

- a. productivity
- b. sales
- c. profits
- d. All of the above

4. The following is paid only at the time of employees exit after serving more than five years

- a. Perquisites
- b. Claims
- c. Gratuity
- d. Allowances

5. A fair day work for fair day pay' denotes a sense of _____ felt by employees.

- a. Responsibility
 - b. Equity
 - c. Happiness
 - d. Respect
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