

Concept of wage

Wage:

Wages are payments for labour services rendered frequency, expressed in hourly rates, while a salary is a similar payment, expressed in weekly, monthly or annual rates.

simple words wages means reward for the labourer for his services rendered to the industry. These can be paid on per unit, per hour, daily, fortnightly, weekly, or monthly basis. Labourers render services of both types i.e. mental and physical.

Salary

'Salary' normally refers to the weekly or monthly rates paid to clerical, administrative and professional employees ("white-collar workers").

definitions:

According to Prof. **Straitoff**, "Wages is the reward of that labour which creates utility."

According to **Jaod**, "Wages are the income that an employee gets for his services."

According to **Benham**, "Wages are a sum of money paid under contract by an employer to a worker for services rendered."

Indian Labour Organisation (ILO) defined the term wage as "the remuneration paid by the employer for the service of hourly, daily, weekly and fortnightly employees".

Wage and Salary Administration

Wage and salary administration is defined as the process by which wage and salary levels and structures are determined in organizational settings.

The determination of wage rates, administration of wage policies and satisfying the employees as regards to wages and rates of wages is an important aspect of wage administration.

Concepts of Wage and salary administration:

Type 1. Minimum Wage:

A minimum wage is a compensation to be paid by the employer to his employee irrespective of his ability to pay. The minimum wage must provide not only for the bare necessities of life but also for preservation of efficiency of the worker namely education health, other requirements and amenities.

Type 2. Living Wage:

A living wage is a compensation which enables the earner to provide himself and his family with not only the barest necessities of life like food, shelter, and clothing but also a measure of economical comfort including education for children, protection against ill health, demands of

social needs, insurance against misfortunes and old age needs. This wage ensures standard of living.

Type 3. Fair Wage:

It represents the average of minimum wage and living wage. It is above the minimum wage and below the living wage. The wage is linked with the capacity of the industry to pay.

Type 4. Direct and Indirect Compensation:

Direct compensation refers to monetary benefits offered to the employees for the services rendered by them to the organisation. The monetary benefits include basic salary, HRA, conveyance, leave travel allowance, medical reimbursements, bonus, gratuity, PF, etc. Indirect compensation includes non-monetary benefits such as leave, insurance, holiday homes, hospitalisation, etc.

Type 5. Time Rate and Piece Rate System:

In time rate system, wages are paid based on the time spent by the employees in the factory. The production by workers is not considered. In piece rate system, the payment is related to the output given by the worker. The wage rate is fixed for piece of work or for certain quantity of production.

Wage Structure

The term 'Wage Structure' is used to describe wage/salary relationships within a particular grouping. The grouping can be according to occupation, or organisation, such as wage structure of craftsman (carpenters, mechanics, bricklayers, etc.)

Components of Wage Structure

1. Basic Wage:

The term 'basic wage' is ordinarily understood to mean that part of the price of labour which the employer must pay to all workmen belonging to all categories.

2. Dearness Allowance:

The fixation of wage structure also includes within its compass the fixation of rates of dearness allowance. It is an additional payment made by the employer to his employees to compensate them to a certain extent for the rise in the cost of living. In the context of a changing pattern of prices and consumption, real wage of the workmen are likely to fluctuate greatly.

3. Overtime Payment:

The government came out with legislation to restrict excessive working by the employees beyond certain limited hours. Overtime has become quite a regular feature in many industries. The employer began to supplement production and the employee his wage with overtime working.

4. Annual Bonus:

The bonus is an award in cash or its equivalent by an employer to an employee, for accomplishment being considered desirable and conceivably implied, though not required by the contract of employment. It is usually intended as a stimulus but may also express a desire on the part of the employer to share with the employees the fruits of their joint enterprise.

5. General Allowances:

The employers pay various sorts of allowances to their workmen depending upon the nature of their duties and other incidents of the employment. Various allowances are also given to the employees under different settlements. These are special allowance, house rent allowance, leave travel assistance, out station allowance, travelling allowance, washing allowance, conveyance allowance, lunch allowance/dinner allowance, allowance for working on weekly-off, unpaid paid holidays, cash handling allowance, shift allowance, self- development allowance, transport allowance, etc...

6. Tax Planning:

In relation to salary and wages, tax planning is important from the point of view of both the employer and the employee. The basic purpose of tax planning exercise is to minimise the incidence of tax to both the employer and the employee.

factors determine the level of wages to be paid to the employees of different categories:

a. The Employer and the Policy of the Company:

In the private sector, the employer has been the sole decision maker in fixing wages to be paid to different categories of staff. Even, the minimum wage provisions are not followed for managers in many of the new private organizations.

b. Wage Fixation through Collective Bargaining:

The history of wage fixation in India is of recent origin. Under the Industrial Disputes Act, 1947, various tribunals have passed awards regulating wages in a number of important industries. Immediately after the Independence, industrial relations climate in the country deteriorated rapidly with rising number of disputes and loss of production. The government was worried to achieve industrial peace that was a prerequisite for industrial and economic growth.

c. Wage Boards:

The Government of India had constituted industry wise wage boards in 1957-66 and after. But wage boards are not popular due to its being a time-consuming process. The parties involved also contest wage boards awards. But, wage boards were quite effective in the 1920s, during the British Regime for 'sweated trades/industries', like chain, bidi-making, where workers were not able to bargain effectively with the employers.

d. Pay Commissions:

The Government of India has constituted five pay commissions for regulating the salary of civil servants including those in post and telegraph, railways, defense and civil aviation. In case of a dispute arising out of the award of the pay commission for implementation, the subject is with the Commission of Inquiry, Adjudication by Tribunals and the Joint Consultative machinery.

e. Wage Policy:

All progressive employers have their own policy on employees' compensation. They pay higher than their competitors to attract the best talents. They also like to be known as the best pay masters in the region/country. Such organizations create what is termed as 'wage islands', which is not healthy for the community. MNCs pay on an average, higher than the Indian firms.

f. Ability to Pay:

This is the most significant factor. The government also leaves the issue open for each organization in PSUs to pay as per its capacity. But within the ceiling and the norms issued by the BPE.

g. Productivity Bargain:

Productivity bargain gained momentum in collective bargain. The keyword in the emphasis, output per man per hour rather than to productivity. Productivity bargain provides a new dimension to management, to shape its industrial relations and to aim for better managerial control, for improving organizational effectiveness as also restructuring.

Wage and Salary policies

The term "Wage Policy" refers to legislation of government action undertaken to regulate the level or structure of wages or both for the purpose of achieving specific objectives of social and economic policy.

The wage policy of any country should be sound and rational from economic and social point of view.

A sound wage policy maintains industrial peace, satisfies both the employers and the workers, increases the output of the firm and efficiency of workers, reduces costs and maximizes profits.

Concepts of Wage and Salary Policy

Concept 1. Minimum Wages:

It is commonly accepted that workers should be given at least minimum wages to enable them to lead a minimum standard of living. It may be defined as a wage which is just sufficient for the worker to keep his body and soul together.

Concept 2. Fair Wages:

Fair wage is another important concept used in a wage policy. There are no two opinions for the payment of wages which are considered as "fair". But it is very difficult to define and determine what a fair wage is. The encyclopedia of Social Science describes a fair wage as one equal to that received by workers performing work of equal skill.

Concept 3. Living Wages:

Living wage is a step higher than fair wage. It may be defined as the wage that would enable the worker to provide a measure of comfort for himself and his family, in addition to the essentials of life.

objectives of wage policy:

1. Economic Objectives:

An important objective of an effective wage policy is to achieve maximum economic welfare.

- Maximized National Income.
- The national income should be divided equally among all the members of the economy.
- There should be a fair amount of stability in the national income.

2. Social Objectives:

- Elimination of exceptionally low wages.
- Establishment of fair labour standards.
- Protection of wage earners from the effects of rising prices.
- Incentive for workers to improve their productive performance.

Factor to determining a sound wage policy:

- Demand for and supply of labour
- Prevailing wage rates
- Ability to pay
- Productivity
- Cost of living
- State regulation
- Job requirements
- Trade unions

Demand and Supply:

If the supply of labour is rich, workers will be ready to work for lower wages. But if the supply of labour is scarce, workers will demand higher wages.

Prevailing Wage Rates:

Wages paid by one firm generally depend upon the wages paid by other competing firms or by other firms in the same locality or by the industry as a whole for the same type of work.

Ability to Pay:

The wage level of the organization largely depends upon the ability of the firm to pay to its workers. The ability to pay, in its turn, depends upon the amount of profits earned by the organisation. Therefore, wages will be generally raised as the firm's net profitability increases.

Productivity:

It is argument that wages should be commensurate with the productivity of the workers. Therefore, the higher the productivity, the higher will be the wage level to be paid to the workers.

Cost of Living:

Wages should depend upon the cost of living. Changes in cost of living therefore lead to changes in the wage-rates.

State Regulation:

Since workers' bargaining power is weak, the State steps in to protect their interest by regulating their wage-rates. The State, by enacting necessary legislation, guarantees minimum or fair wages to workers so as to enable them to lead a decent standard of living.

Job Requirements:

Jobs differ in their responsibility and authority. Generally jobs requiring higher authority and responsibility are paid higher wages. Similarly, jobs which require highly skilled workers are also highly paid. Again, jobs which are very risky and dangerous are also highly paid.

Trade Unions:

Workers who are well organized into trade unions are able to get higher wage-rates whereas those who have not formed such unions are not able to get higher wage-rates.

Other Factors:

Wage-rates also depend upon such factors as market conditions, prevalence of competition in the market, bargaining power of workers and such other conditions.

Legal Framework for Wage and Salary Policies

The legal framework on wages in our country includes: (i) the Payment of Wages Act, 1936; (ii) the Minimum Wages Act, 1948; (iii) the Payment of Bonus Act, 1965; and (iv) the Equal Remuneration Act, 1976; and the rules framed there under by the Government.

Minimum Wages Act, 1948

Under the Minimum Wages Act, 1948 the appropriate Government fixes minimum wages for all the employments. The Act empowers State Governments to fix the minimum rate of wages for different types of employment in India. Currently, the National Floor Level of Minimum Wages in India is Rs.160 per day.

Objective of the Minimum Wages Act

- To safeguard that the employee has a basic physical necessity, proper health, and comfort.
- Ensure that the labor gets fair wages.
- To ensure that the labor lives a decent life and have a respectable name in society.

Minimum Wages are fixed according to the following criteria

- Time Rate – The minimum rate is fixed according to the duration of the work done by the labor.
- Piece Rate – Here the minimum wage is fixed by the total number of pieces manufactured in the factory.
- Overtime Rate – Here the minimum rate is fixed by the overtime done by the labor regardless of the time or piece rate.

Payment of Bonus Act, 1965

The **payment of Bonus Act** applies to the factory and other establishments in which 20 or more persons are employed on any day during a year, excluding some categories of employees. The Payment of Bonus Act mandates the payment of bonus to every employee under the Act. And also the person who has worked in the establishment for a minimum of 30 days and draws a salary not exceeding Rs.10,000 monthly. Under this Act, the employees are payable with a minimum bonus of 8.33% of salary or Rs.100 whichever is higher. However, such amount is payable on completion of 5 years, even if there is no profit in the business.

Objectives of the Act

- To impose a legal responsibility upon the employer of every establishment covered by the Act to pay the bonus to employees.
- To designate the minimum and maximum percentage of bonus.
- To prescribe the formula for calculating bonus.
- To provide redressal mechanism.

Applicability of the Act

The Payment of Bonus Act implements to the establishments which fall under any of the below listed:

- It applies to any factory or establishment which had twenty or more workers employed on any day during the year.
- The act does not apply to the non-profit making organisations.
- It is not applicable to establishments such as LIC, hospitals which are excluded under Section 32.
- It is not applicable to establishments where employees have signed an agreement with the employer.
- It is not applicable to establishments exempted by the appropriate government like sick units.

Payment of Wages Act, 1936

The Payment of Wages Act regulates the payment of wages to workers within the stipulated time and prevent unauthorized deductions. The Payment of Wages Act applies to employees who receive wages below Rs.10,000 per month. The enforcement of the Payment of Wages Act is by the State Government, while the Central Government enforces the Act to mines, railways, oilfields and air transport services.

Objectives of Payment of Wages Act 1936

- Ensure that employees are paid their wages on time and in full.
- Protect employees from unauthorized deductions from their wages.
- Promote industrial peace and harmony.
- Provide for penalties for employers who fail to comply with the Act....

Salient features:

- It ensures that employees are paid their wages on time and in full.
- It protects employees from unauthorized deductions from their wages.
- It provides penalties for employers who fail to comply with the Act.
- It helps to improve the financial security of employees.
- It promotes industrial peace and harmony....

The Equal Remuneration Act of 1976

It was enacted by the Indian Parliament on February 11, 1976, with an aim “to provide for the payment of equal remuneration to men and women workers and for the prevention of discrimination, on the ground of sex, against women in the matter of employment.

Objectives of Equal Remuneration act, 1976

- To provide equal wages to men and women based on the nature of employment
- To provide equality of treatment in employment
- To protect persons against discrimination concerning employment or occupation
- To ensure that no person shall be unfairly dismissed from work on grounds only of sex

The Salient Features of Equal Remuneration Act, 1976

- Remuneration to be paid in cash or in-kind at the same rate
- No discrimination in favour of men
- No discrimination on the ground of sex
- No discrimination in employment
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Determinants of payment of wages

Wage policy of the company:

The wage policy has a decisive influence on the structure and wage level. Example – Policy decisions on salary fixation based on length of service or performance or both, to pay below average or above average rates, to pay more to reduce employee turnover etc.

Prevailing wages in comparable industries:

Wage rates are related to region and industry base. The organisation has to pay wages at least equal to prevailing rates for similar jobs in similar organisations.

Financial position of the company :

Increase in wages are paid by companies who can afford to pay. Companies having good sales and profits tend to pay higher wages. Total cost of labour has to be considered in determining the ability to pay. During period of prosperity, companies pay higher wages and wages are reduced during period of depression.

Demand and supply of labour:

The demand and supply of certain skills determine wage rates. Examples – High demand for IT professionals, financial analysts, scientists in pharma industry, etc., leads to higher wages.

Similarly, oversupply of certain category of employees has resulted in steep fall in wages. Oversupply of management graduates and fall in wages.

Cost of living:

When cost of living increases, the workers and union demand higher wages to offset the erosion of real wages. Many companies consider inflation rate, while working out salary increments.

Capacity of bargaining :

A strong trade union is able to bargain and obtain higher wages for its members.

Nature of job:

Jobs that require high levels of knowledge and skills, require high pay.

Productivity:

Here, worker's wages are linked to their productivity level. Wages are paid based on job performance.

Psychological and social factors:

Psychologically, a person considers level of wages as a measure of success in life. Sociologically, people feel that equal work should carry equal wages and there should not be any discrimination on the basis of religion, caste, gender etc.

The living wage:

The wages should be adequate to enable an employee to maintain himself and family at a reasonable level of existence

Wage Differentials

The word differential means relating to, or showing a difference, or making use of a specific difference or distinction.

Wage differential is an element of location selection that is a wage scale reflecting the average schedule of workers' pay in an area that takes into account the performance of related tasks or services.

Wages differ in different employments or occupations, industries and localities, and or between persons in the same employment or grade. It may be termed as occupational wage differentials, inter-industry, inter-firm, inter-area or geo graphical differentials and personal differentials.

Causes for Wage Differentials

- Deviations in the competency level of the manpower, which may be due to initiate quality, pedagogy level, and working environment available for the workers.
- The existence of non-rivalry groups because of the hurdles in the way of the movements of manpower from low paid to high paid jobs.

- Variations in the social admiration of job.
- Deviations in the characteristics of employment and occupations.

Types of Compensation Differentials

1. Employee Based

Compensation deviation also exists at personal level. There are so many people in an organization with having alike qualifications and they are not provided with similar salaries in the same organisations.

a. Deviations in Occupational Wage:

Deviations in the occupational wages are based on talent, skill, experience and training acquired by the worker.

b. Wage Differentials on skill based:

The wage difference among different extent of skill of the employees occurs under the skill based differentials.

c. Gender Based Differentials:

Generally need of male and female employee depends upon the nature of job some of the jobs may need a masculine role and some may need a feminine role for its effective performance.

Performance Based Differentiation:

The degree of efficiency or competency mandatory to perform any task or job also differentiated the compensation

Experience Based Differentiation:

There is a great difference in the compensation package of any fresher and experienced employee. Wages at the starting level gets an increment or increased as per the organizational rules of considering the experience of any employee.

2. Industry and Organization Based

Industrial differentials also can be stated as the occupational differentials comes in existence due to the requirement of different competency level and instability in demand and supply of manpower having such kind of competency or skills.

Nature of the organization and job:

The compensation packages may differentiated or depends upon the nature of the organization, whether organization using a Hi-Tech process for operation, non-automation technique, automation in operations, manufacturing etc..

Size of the organization:

The Size of the organization specify its paying capacity, span of control, budget on personnel and relative strength to specify the compensation packages. Larger the organizations provide higher salaries as compared to smaller organizations.

Technology required:

As per the nature or requirement of job organization used the technology, and for the using of this technology required skilled, competent and experts which becomes the element for fixing the differential compensation packages.

Intra Industry (inter plant) based differentials:

In the similar plant or industry, the employer may provide different-different compensation packages, based on deviations in the quality of job, competency level of employee, imbalance in the demand and supply of employee in labor market, and differences in efficient utilization of plant or machinery.

Inter industry based differentials:

These differences comes in existence when the similar occupation worker charged differentially at the same location and at the same time but in the different industries Inter industries compensation deviation generally occurs because of the degree of unionization, their negotiation power, financial capacity of organization to pay.

Regional Differentials:

There may also deviations in compensation on the basis of region. Such kind of differences are existed in different countries of the world as well as different regions within a country. For example, wages and salaries are higher in metropolitan cities as compared to other cities; higher in cities as compared to rural areas.

Job Design

Meaning

Job design is a systematic process of organizing work into the tasks required to perform a specific job. It defines the contents and the way the tasks are combined to complete a job.

Job design integrates the tasks, function and relationship in order to achieve certain organizational objectives.

Job design is a process through which job related data are revealed and the contents as well as methods of performing different tasks are specified.

Steps in job design are as follows:

Specification of tasks:

This is the first step of job design under which the individual task is specified. It means different tasks to be included in a job are categorized and specified.

Combination of task:

After specifying the individual tasks to be included in a job, they are combined into a group and assigned to individual employee or group for performance.

Specification of method:

Under this step, different methods of performance of each tasks are identified and determined.

Importance and Benefits of Job Design

Organizational Design:

The job design specifies the contents and procedures of performing the task in the organization. Hence, it helps in designing organizational structure.

Structure of Competent Employee:

Job design is a systematic approach of providing job-related data and information on skills, knowledge and ability of the incumbent to perform the task.

Motivation and Commitment of Employees:

Job design makes the work more interesting and challenging, which motivates the employees for higher level of performance.

Environmental Adaptation :

An organization is operated in a dynamic environment. Hence, any change in the environmental forces can have direct impact upon organizational performance.

Labor Relations:

A well prepared job design brings a harmonious relation between employees and management. On the other hand, poorly prepared job design creates employee-grievances, indisciplinary actions, greater employee turnover, greater absenteeism and conflict.

Quality of Work Life :

A quality of work life is understood as an efficient relationship between employees and organizational working environment. A properly prepared job design leads to improvements in quality of work life.

Organizational Productivity:

The job design specifies the contents and working procedures of how the task is performed. This leads to a positive change in job performance and job analysis.

Methods of Job Design

Job design methods seek how to design jobs. Jobs can be designed to range them from very simple to highly complex ones depending on the skill requirement to perform the job.

Classical Approach

The classical approach of job design is greatly influenced by the work of F.W Taylor. From his work, time and motion study, he realized that by bringing a proper match between labor, tools and tasks it would be possible to increase productivity. Hence under this approach, the job is designed in the basis of organizational requirements.

Socio-Technical Approach

This is another important approach of job design in which social and technical aspects of the organization are considered. Under it, jobs are designed according to individual needs and organizational requirements.

Behavioral Approach

Behavioral approach is concerned with behavioral factors such as: autonomy, variety, task identity, task significance, feedback mechanism etc. It means the above mentioned behavioral factors are analyzed and considered while designing the jobs under this approach.

Job Evaluation

Job Evaluation is a systematic process of determining the worth of one job in relation to another job in the organisation. During job evaluation, the relative worth of various jobs are assessed so that wages can be paid depending upon the worth of the job.

To improve the performance and maintain the high level of efficiency in work, employee should be compensated with wages and salaries depending upon the job he is performing.

Job evaluation – which is an accepted tool in the hands of the personnel management for avoiding any inconsistency in job rates and for achieving uniformity in the entire wage structure – is done through certain processes. The process – elements are its components.

characteristics of job evaluation:

- It is a method with a systematic approach.
- It is an analysis of the work involved in its starting point.
- It is an attempt to determine the requirements of the work involved for any incumbent.
- It is a process by which jobs in an organization are appraised.
- It is a process of analyzing and describing positions, grouping them, and determining their relative value by comparing the duties of different positions in terms of their different responsibilities and other requirements.
- It is a system to deal exclusively with assessment of the job and not concerned with employees assigned to the job.
- It is designed only to establish wage differentials and is not concerned with the absolute wage level.

The objectives of job evaluation are enumerated below:

- To secure and maintain complete, accurate and impersonal descriptions of each distinct job or occupation in the entire plant.
- To provide a standard procedure for determining the relative worth or value of each job in a plant.
- To determine a rate of pay for each job which is fair and equitable with relation to other jobs in the plant, community and industry.
- To ensure that like wages are paid to all qualified employees on like work.
- To promote fair and accurate consideration of all employees for advancement and transfer.

- To provide a factual basis for the consideration of wage rates for similar jobs both within the community and within the industry.
- To provide information for the work organisation, employee's selection and training and numerous other important purposes.

Job evaluation involves the following steps:

- Job analysis
- Job documentation
- Job rating using the organization's job evaluation plan

Step 1. Job Analysis:

Job analysis is the process of collecting and evaluating relevant information about jobs. The data collected should clarify the nature of the work being performed (principal tasks, duties, and responsibilities) as well as the level of the work being performed

Step 2. Job Documentation:

Job documentation is the process of recording job content information, usually in the form of a written job description, one of the most important products of job analysis

Step 3. Rating the Job:

In the third step, a job's assigned duties are assessed using the job evaluation plan, or instrument selected by the organization.

Methods of Job Evaluation

1. Non-quantitative

- Ranking System
- Grading or Job Classification System

2. Quantitative

- The Points System
- The Factor Comparison System

Ranking System:

Under this system, all the jobs are arranged or ranked in the order of their importance from the lowest to the highest or in the reverse

Job Classification or Grading:

A number of predetermined grades or classifications are determined by a committee of raters. The jobs are assigned to the grade or class. After detailed job analysis, jobs are grouped into various classes or grades which indicate different pay levels. For each grade/class, there is detailed description so that the employees assigned to particular grade or class.

The Points System:

The Points System is one of the widely used job evaluation plan. The points system involves identifying a number of job factors and sub-factors and then determining the degree to which these factors are present in the job. Points are assigned for each degree of each factor. The number of points for each factor is added to obtain overall points. The sum of these points gives an index of the relative importance of the jobs that are rated. Money values are assigned to each of the jobs, based on the total value of each job.

The Factor Comparison Method:

The analyst or committee selects some key jobs for which job descriptions and wage rates are agreed upon and are acceptable to the workers and management. Each job is ranked several times, once for each of the job factors selected.

Incentives

An incentive provides additional compensation for those employees who perform well. It attempts to tie additional compensation as directly as possible to employee productivity.

Further incentives are monetary benefits paid to workmen in recognition of their outstanding performance. They are defined as “variable reward granted according to variations in the achievement of specific results”.

Incentive systems should be tied as much as possible to performance. If an incentive is actually to spur increased performance and effort, employees must see a direct relationship between their efforts and then- rewards.

Incentives can be short-term and/or long-term, which can be tied up with the performance of an individual employee or a group/unit's productivity.

The importance of incentives:

- The primary advantage of incentive is the inducement and motivation of workers for higher efficiency and greater output,
- Fixed remuneration removes fear of insecurity in the minds of employees
- Earnings of employees would be enhance due to incentive.
- Reduction in the total as well as unit cost of production through incentives
- Production capacity is also likely to increase.
- Incentive payments reduce supervision, better utilization of equipment, reduce scrap, reduce loss time, and reduce absenteeism and turnover.

Types of Incentives

Individual Incentives:

Individual incentive systems may have to be tailored to individual desires for instant salary plus commission basis, only commission or worker wants additional time up instead of additional take home pay.

An individual incentive system may also be used as a means of measuring individual capabilities and initiatives.

Peace Rate Systems:

The most basic individual incentive system is the Peace Rate System. Under the State Peace Work system wages are determined by multiplying the number of units produce by the Peace Rate for 1 unit.

Differential Peace Rate:

The differential Peace Rate System pays employees at one peace rate, if they produce less than a standard output and at a higher peace rate if they produce more than the standard, developed by Frederick Taylor in the late 1800s. The system is to design to stimulate employees to achieve or exceed established standard of production.

The following are the different incentives for employees which the company can use:

a. Financial Incentives:

- Pay and allowances
- Productivity linked wage incentive
- Bonus
- Co-partnership/stock option
- Retirement benefits
- Perquisites

b. Non-Financial Incentives:

- Employee recognition programmes
- Employee empowerment
- Job security
- Status
- Employee participation
- Organisational climate

Welfare management

Employee welfare means anything done for the comfort and (intellectual or social) improvement of the employees, over and above the wages paid. In simple words, it means “the efforts to make life worth living for workmen.” It includes various services, facilities and amenities provided to employees for their betterment.

These facilities may be provided voluntarily by progressive entrepreneurs, or statutory provisions may compel them to provide these amenities; or these may be undertaken by the government or trade unions, if they have the required funds.

The objectives of employee welfare are to improve the life of the working class, to bring about holistic development of the worker’s personality and so on. Employee welfare is in the interest of employee, employer and the society as a whole. It enables workers to perform their work in healthy and favorable environment.

The basic features of employees' or labour welfare are as follows:

- Labour welfare includes various facilities, services and amenities provided to workers for improving their health, efficiency, economic betterment and social status.
- Welfare measures are in addition to regular wages and other economic benefits available to workers due to legal provisions and collective bargaining.
- Labour welfare measures are flexible and ever-changing. New welfare measures are added to the existing ones from time to time.
- Welfare measures may be introduced by the employers, government, employees or by any social or charitable agency.
- The purpose of labour welfare is to bring about the development of the whole personality of the worker to make him a good worker and a good citizen.

Objectives

- To enhance the level of morale of employees.
- To create a loyal, contented workforce in organization.
- To develop a better image of the company in the minds of the employees.
- To enable the workers to live comfortably and happily.
- To develop efficiency of the workers.
- To reduce influence of trade unions over the workers.
- To expose philanthropic and benevolent activities of the company.
- To make the workers know that the company takes care of them.
- To develop positive attitude towards job, company and management.
- To reduce tax burden.
- To develop a feeling of satisfaction of employees with the company.
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Employee welfare can be divided into two categories, namely:

(1) Statutory, and

(2) Voluntary

Statutory:

The government has passed a number of legislations in order to set minimum standards of safety and welfare for the employees at their workplace. Provisions have been made for the welfare facilities such as

- Washing
- Storing
- first-aid appliances
- hours of work
- sanitation

Voluntary:

The employers voluntarily have provided welfare amenities to the employees besides the statutory facilities. They are more concerned with the welfare of their employees. The statutory welfare schemes include the following provisions:

- **Drinking Water:** At all the working places safe hygienic drinking water should be provided.
- **Facilities for sitting:** In every organization, especially factories, suitable seating arrangements are to be provided.
- **First aid appliances:** First aid appliances are to be provided and should be readily assessable so that in case of any minor accident initial medication can be provided to the needed employee.
- **Latrines and Urinals:** A sufficient number of latrines and urinals are to be provided in the office and factory premises and are also to be maintained in a neat and clean condition.
- **Canteen facilities:** Cafeteria or canteens are to be provided by the employer so as to provide hygienic and nutritious food to the employees.
- **Spittoons:** In every work place, such as ware houses, store places, in the dock area and office premises spittoons are to be provided in convenient places and same are to be maintained in a hygienic condition.
- **Lighting:** Proper and sufficient lights are to be provided for employees so that they can work safely during the night shifts.
- **Washing places:** Adequate washing places such as bathrooms, wash basins with tap and tap on the stand pipe are provided in the port area in the vicinity of the work places.
- **Changing rooms:** Adequate changing rooms are to be provided for workers to change their cloth in the factory area and office premises. Adequate lockers are also provided to the workers to keep their clothes and belongings.
- **Rest rooms:** Adequate numbers of restrooms are provided to the workers with provisions of water supply, wash basins, toilets, bathrooms, etc

Key Differences Between Statutory and Non-statutory Benefits

Legality:

Statutory benefits are mandatory and required by law, while non-statutory benefits are optional perks provided voluntarily by employers.

Purpose:

Statutory benefits ensure employers meet the minimum requirements for employee protection and well-being. Non-statutory benefits are designed to help companies foster a positive workplace culture.

Flexibility:

Statutory benefits are consistent for all employees in a country. Non-statutory benefits are flexible and can be customized to meet the unique needs of a company's workforce.

Tax implications:

Generally, statutory benefits aren't taxable, but non-statutory perks are subject to income tax.

Legal consequences:

Non-compliance with statutory benefits administration can result in legal fines, penalties, and potential lawsuits. Non-statutory benefits have no legal consequences, and business owners can choose to offer or not to offer them.

Incentive

Incentive in simple terms is something that encourages a person or organization to do or achieve something. It is something that incites or has a tendency to incite a determination. This is usually given in cash or in kind.

In business, the objective of incentive is to increase employee productivity, improve industrial and interpersonal relations, and as result increase the overall profit of the organization.

Types of Incentives

Incentives can be generally classified as financial (monetary) incentives and non-financial (non-monetary) incentives.

1. Financial (Monetary) Incentives

Financial incentive pertains to those incentives which are in the form of money or can be measured in monetary terms. This is sometimes referred to as monetary benefit offered to consumers, employees, and organizations to encourage behavior or actions which otherwise would not take place.

These incentives can be given on an individual or group basis and satisfy the monetary and future security needs of individuals. It lifts the eagerness and self-confidence of the employees thus, resulting in better productivity and performance.

The most commonly used financial incentives are:

Pay and allowance salary is the basic incentive given to every employee to work efficiently and effectively in an organization. This includes the basic pay, dearness allowance, clothing allowances, house rent allowances, and other similar allowances. It is paid most commonly monthly.

Typically, employees are given annual increments in their basic pay and allowances depending on the employee's performance during the year.

Bonus

It is a sum of money added to the basic salary or wages on a seasonal basis, as a reward for a good performance. Many companies offer bonuses during the festivals of Diwali, Christmas, New Year, etc.

Productivity linked Wage Incentives

This refers to performance-linked compensation given to increase productivity. Wage incentives are offered to employees to make them perform beyond the accepted standards.

Profit-Sharing

It is an incentivized compensation program in which an employee receives a direct share of the company's profits. The amount granted is normally based on the company's positive earnings over a set period. This motivates them to perform efficiently and give their best to increase the company's profits.

Retirement benefits

Retirement benefits like gratuity, pension, provident fund, leave encashment, etc. provide financial security to the employees upon retiring from the company. Hence, they work properly during their term of service.

Commission

Some companies offer a commission on top of the employee's salary for successfully hitting targets over a set period. This incentive motivates the employees to increase the client base of the organization.

Perquisites

Several organizations offer perquisites and fringe benefits such as free accommodation, medical, educational, and recreational facilities, car allowances, etc. in addition to the salary and allowances to their employees. Sometimes, this incidental payment, benefit, or privilege is enjoyed as a result of one's position.

Co-partnership/Stock Option

Under this incentive system, employees are offered shares at a price that is lower than the market price. This practice helps in creating a feeling of ownership among employees and motivates them to give their all-out contribution towards organizational growth and success.

2. Non-Financial (Non-Monetary) Incentives

These are types of rewards that do not form part of an employee's pay or cannot be measured in terms of money.

Status

It is one's social or professional position. In an organization, this refers to the position in the hierarchy of the organizational chart.

Organizational Climate

Organizational climate refers to the environmental characteristics of an organization as perceived by its employees.

Career Advancement Opportunity

Organizations have to establish the appropriate skill and career development programs, and even a sound promotion policy for their employees, that serves as a booster for them to perform well and get promoted.

Job Enrichment

It refers to the designing of jobs in such a way that it involves challenging and variety of tasks, requiring a higher level of knowledge and skill, more autonomy and responsibility, and more growth opportunities and thus, could also increase employees' pay.

Job Security

Job security offers future stability and a sense of security among the employees in an organization.

Employee Recognition Programs

The organization adopts this to raise employee morale, attract and retain key employees, elevate productivity within an organization, and increase competitiveness

Employee Participation and Empowerment

This refers to the employee's involvement in decision making on the matters related to them (participation) inducing a sense of belongingness and giving them more autonomy and powers to subordinates (empowerment) to make them feel the importance of their presence and service to the organization.