INTRODUCTION AND DESIGN OF THE STUDY
CHAPTER - I

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1: INTRODUCTION

Over the past few years a body of knowledge has been accumulating on the process of determining how much individual employees are to be paid. This field of knowledge has been developed largely by employees working alone, to some extent by employers and unions. The name usually attached to it is "Wage and salary administration".

The wage and salary administration deals with techniques and procedures for designing and maintaining salary structure rewarding staff and exercising wage control. The basic aim of wage administration is to attract, retain and motivate the employees by maintaining competitive equitable wage structure. It is concerned with

a) the design and maintenance of wage structure,

b) the operation of wage progression system,

c) the provision of employee’s benefits and other allowances and the development of a total remuneration policy.

Wage and salary is a remuneration, which an employee receives as compensation in return for his or her contribution to the organization. Remuneration occupies an important place in the life of an employee. His or her standard of living, status in the society, motivation, loyalty and productivity depend upon the remuneration he or she receives. For the employer too, employee remuneration is significant because of its contribution to the cost of production.
Wages and salary administration refers to the establishment and implementation of sound policies and practices of employee’s compensation. It includes factors such as job evaluation, surveys of wage and salaries, analysis or relevant organizational problems, development and maintenance of wage structure establishing rules of administering wage, wage payments, incentives, profit sharing, wage changes and adjustment, supplementary payments, control of compensation cost and other related items.

For human resource management, employee remuneration is a major function. The HR specialist has a difficult task of fixing wages and salaries, acceptable to employees and their leaders.

A sound wage and salary administration achieve the following objectives:

(A) For Employees

1. Employees are paid according to requirements for their jobs i.e., highly skilled jobs are paid more compensation than low skilled jobs.
2. The chances of favoritism are greatly minimised.
3. Job sequences and times of promotion are established whenever they are applicable.
4. Employees’ morale and motivation are increased because a wage/salary plan can be explained and it is based on facts.

(B) To Employers

1. The employers can systematically plan for and control their labour costs.
2. In dealing with a trade union, they can explain the basis for their wage programme.

3. A wage and salary administration reduces the likelihood of friction and grievances over wage inequalities.

4. It attracts qualified employees by ensuring an adequate payment for all the jobs.

Wage and salaries represent a substantial part of the total costs in most of the organizations. The primary economics or financial reward is pay in the form of wage as "salaries", by means of which individuals are attracted to an organization and their maximum effort, co-operation and loyalty is secured. From the point of view of employees, wages or salaries are considered as the price for their effort or contribution made towards the organization. Thus it must be sufficient to the subsistence, to lead a better standard of living and also to provide for their future (savings). At the same time, labour cost representing the human contribution to production requires constant control, measurement and analysis.

2: NEED OF THE STUDY

The basic purpose of wage and salary administration is to establish and maintain an equitable salary structure. Its secondary objective is the establishment and maintenance of an equitable labour cost structure i.e., an optimal balancing of conflicting personnel interest, so that satisfaction of employees and employers is maximized and conflicts minimized. The wage and salary administration is concerned with the financial aspects of need, motivation and rewards. A sound wage policy is to adopt a job evaluation programme in order to establish fair differential in wage based upon differences in job contents.
Laying down a sound wage and salary system and its implementation is one of the most complex assignments in an industrial organization. It is a dynamic and complex field involving many workable principles and procedures. Good compensation packages boost the morale of the employees and motivate them to contribute effectively towards their work. "Productive objective" has to be tailored with attractive benefits. Creating of win-win situation offers benefits of the organization and employees. Over a period of years, the wage payment system has taken different shape and acquired multi-dimensional character due to the rapidly changing technology and socio-economic transformation of the society. Employees began to compare their inputs and outcomes with those of others and expected just and equitable pay, it gave rise to incurable disputes and frictions, particularly with regard to the relative pay to be assigned to certain jobs or occupational groups in organization. Consequently, different patterns of wage payment and methods of wage fixation began to assume an important role in the management of personnel in enterprises.

Therefore, a need was felt by the researcher to go into the details about "wage and salary administration in MICO Industries limited". It is hoped that the findings will help the concerned undertaking to review its policies and programs in this connection.

3: REVIEW OF LITERATURE

A number of studies have been conducted on wage and salary administration by number of researchers in India and abroad. A modest attempt has been made to trace out the research gap, so as to explore the suitable area for the purpose of undertaking the research and to examine
the relevance of the need felt by the researcher. Some of the research studies undertaken in the field so far are:

**Sainy H.C.** in his study "wage and salary administration" focuses on fundamental aspects of wages and salary administration like the meaning, objectives, wage policy in developing and developed countries, advantages of wage policy etc.

He also emphasizes the importance of different wage theories developed by different experts and explained the various reasons for differences in wages and salaries in different employment and also between different persons in the same employment. Wage differentials are classified under five heads and each one is dealt with by the researcher separately.

The study also concentrates on Minimum Wages Act 1948, its objectives and Payment of Bonus Act 1965, and it also briefly dealt with different methods of wages and bonus payment.

**Rao V.S.P.** in his article "wage and salary administration", brings out the importance of designing an effective compensation plan that takes care of legal stipulations, industry practices, employee expectations, competitive pressure etc., so as to attract and retain talent. He focuses on the main objectives of compensation planning, components of pay structure in India and factors influencing compensation levels. He also gave emphasis on wage policy in India, state regulation of wages, Bonus, wage differentials and executive compensation.

He is finally concluded that executive compensation in India is basically built around three important factors viz., job complexity,

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employers' ability to pay and Indian company's compensation structure. Indian companies usually structured executive compensation along with the factors viz., salary, bonus, commission, PF, Family pension, superannuation fund, medical reimbursement, leave travel assistance, house rent allowance and other perquisites.

**Joseph G. Altonji and Nigolar Williams**, the study provides new estimates of the return to job seniority using a dataset. It considers the strengths and weaknesses of earlier studies and then performed multiple replications using the original data to test the soundness of the hypotheses concerning how the choices of data and methodologies affect the empirical results. The analysis not only provides refined estimates of returns to seniority but also has some implications for how best to conduct other similar empirical studies.

**Charles. A. Myers** his study “wage and salary policies and administration” focuses on wage and salary policies and administration and it reveals that the determination of the general level of wages and salaries in any organization includes wages and salaries paid for comparable work by other firms or organizations in the community or in the industry, ability to pay or financial condition of the organization, cost of living index and governmental wage and salary regulation. Finally, it is concluded that the wage and salary supplements are an important part of compensation of non-executive employees and policies on establishing wage and salary levels and internal equity in them are the primary responsibility of managers, assisted by the personnel staff.

Meade J. E.\textsuperscript{5} his study "Effects of wage-fixing on unemployment and inflation" examines the causes and effects of the wage fixing phenomenon, which operates through uncontrolled monopolistic wage bargaining and which results with or without the concomitant of strikes, lock-outs or similar industrial dislocation, in the setting of fixed minimum wage rates in the various sectors of the economy. Finally, it concludes that the primary objective of wage fixing should be the promotion of employment, but this will be effective only if accompanied by successful fiscal policies to ensure the maintenance of a steady rate of growth in total money expenditures on goods and services and so in the demand for labour and that it will be acceptable in a human compassionate society only if it is accompanied by a battery of other measures for ensuring a socially acceptable distribution of income and wealth.

Paul J. Devereux\textsuperscript{6} the study "Effect of industry growth and decline on gender and education wage gaps in the 1980s" uses longitudinal data to study the effects of industry growth and decline on wage changes between 1976 and 2001. It finds that over this period workers who were initially in industries that subsequently expanded enjoyed faster wage growth than other workers.

Moreover, wage growth was strongly related to employment changes in industries the individual was likely to move to, that is, workers' wage growth tended to be relatively fast if their skills suited them for entry into rapidly expanding industries, whether or not they actually moved between industries.

\textsuperscript{5} J.E. Meade., "Effects of wage-fixing on unemployment and inflation, wage fixing" George Allen Boston and Unwin Sydney, Pp21-36.

The study also uses the estimates to evaluate the effects of industry demand changes on within cohort relative wages during the 1980's. It finds that changes in industrial composition can amount for most of the within cohort increase in the wages of women relative to men about 30-50 per cent of the increase in the relative wages of more educated groups with cohorts.

David W. Belcher7 his study, "Wage and salary surveys" focuses on the relevance of wage and salary surveys in determination of market value of employee services. It is said in the study that, wage and salary survey also implies the force of custom in which organization pay what they do because other organizations do so, while the other organizations follow the same practice. The study classified and conducted three different types surveys viz., Government occupational wage and salary surveys, private occupational wage and salary surveys and lastly non-occupational wage and salary surveys and also gave emphasis on uses of wage and salary survey data.

Finally, the study concludes that, organizations use industry and area surveys differently usually giving great emphasis to industry surveys in wage determination but limiting area surveys that cross industry lines to determination of trends.

Abram Bergson8 his study "Wage administration-the structure of soviet wagers" evaluates the structure of soviet wage and its administration considering two sorts of market forces Viz., business men on the one hand, seek to economise their labour costs by adjusting in an

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appropriate manner the number of workers of different skills they employ, and workers on the other hand, strive to enhance their material position by shifting from less to more remuneration employment. It also considers other factors like availability and utilization of labour force, freedom of choice of employment, place of employment etc., for evaluation.

Finally, the study concludes that Soviet wage differentials are determined by capitalist principles and not on the basis of the forces of supply and demand of labour or workers.

Henry S. Farber9 his study “Non-union wage rate and the threat of unionization” investigates the extent to which the threat of union organization increases non-union wages and reduces the union and nonunion wage differentials using GPS data for 1977-2002. The results are mixed estimates employing the predicted profitability of union membership of as measure of the union threat show no important link between the union threat and either nonunion wages or the union wage gap.

Estimates focusing on two states introduction of right to work laws, which arguably affect the threat of union organization independently of changes in labour demand, show that in one state the law was associated with a statistically significant drop in nonunion wages.

Finally, an analysis of wage that for three industries that underwent deregulation another natural experiment in which labour demand changes are unlikely to have been a complicating factor – yields a stronger evidence of threat effects on non-union wages that do either of the other two analysis.

Arndt H. W. and Sundrum R. M.\textsuperscript{10} their study "Wage problems and policies in Indonesia" evaluates the wage problem and policies in Indonesia. In Indonesia, the wage system has origin important social policy functions, generally to protect the weak by relating wages in some way to need. The most important features of wage system in Indonesia are the payment of a high proportion of wage in kind the practice of relating a high proportion of wages, especially those paid in kind, to the needs of the workers, e.g. The no of his dependents the payment of wide variety of allowances and fringe benefits, and manpower regulation designed to protect job security by limiting the right to dismiss, But, it is found in the study that, another instrument of a socially oriented wage policy, Viz., minimum wage legislation, has not been attempted seriously in Indonesia.

The study thoroughly evaluates the minimum wages, manpower regulations in Indonesia and offered various suggestions for a development oriented wage policy. It should provide incentives to induce optimum productive effort, full employment, optimum labour allocation and desirable manpower development.

Yue Guangzhao\textsuperscript{11} his study "Employment wage and social security in China" focuses on employment condition, rural employment, and urban employment in China and thoroughly evaluates the wage policy and social security and welfare in Chine. And it concludes that the Government of China has made great strides in promoting employment, rising wages and improving workers social security benefits. However because of the rapid growth of population and part mistakes in economic policy, the

development of the national economy and the improvement of people's living standards have failed to reach the desired. The result is that China is still a developing country, production is backward the national income is not high and productivity is low. Therefore, the country should make unrelenting efforts to clinch up with the advanced countries in terms of both economic development and people's standards living.

Mario F. Bognanno, Michael P. Reane and Donghoon Yang\textsuperscript{12} their study 'the influence of wage and industrial relations environments on the production location decisions of US multinational corporations' using the benchmark and annual surveys of US direct investment abroad collected by the Bureaucrats of Economic analysis, the examines the operations of US multinational corporations (MNCs) in seven manufacturing industries and twenty two countries over the years 1982-91.

It analyses how tariffs, wages and industrial relations environments influenced US MNC's decisions about where to locate assets and employment. The results imply that wages and the industrial relations environment were statistically significant determinants of the extent to which MNCs located operations in a particular host country. However, while these factors were important, their impact was much smaller than that of host country market size, which was by far the main determinant of MNC locetron decisions. Furthermore, the study finds no evidence that tariff reductions increased the share of US MNC activities located abroad.

Thus, concerns that tariff reductions may lead to loss of American jobs appear to be exaggerated.

The study conducted by Barry T. Hirsch\(^\text{13}\) using current population survey, files for September 1995 to December 2002, finds that part time workers receive considerably lower hourly earnings than full time workers. It also finds that measurable worker and job characteristics, including occupational skill requirements account for much of the part time. Longitudinal analysis of the data indicates that much of the remaining gap reflects workers heterogeneity, evidenced by small wage gains and losses among workers switching between part time and full time jobs.

The lower skill of part time workers results primarily from limited work experience and accumulation of human capital. Little evidence can be found of a large wage gap between part time and full time women. A part time wage penalty is found for men, but men account for less than one third of total part time employment.

Hiremath G.M.\(^\text{14}\) in his doctoral work entitled wage and salary administration in public sector banks in India laid emphasis with wage and salary administration in Public Sector Banks with special reference to Karnataka. Using Multistage Random Sampling, Banks are categorized into rural, semi-urban, urban and metropolitans banks and 27 banks are selected for the purpose of analysis. The study is based on primary and secondary data and the data collected from these sources is analysed in two parts. The first part of the analyses deals with the workmen responses towards salary and wage administration and second part with the responses of management, officers and workmen collectively. The study


evaluates the employees' satisfaction towards recruitment, promotion, increment facilities, incentives including monetary and non-monetary incentives and the role of union on salary and wage administration.

Finally the study concludes that wage and salary negotiations are held and fixed on due considerations of the charter of demands of the unions, submitted periodically after specified period each time as per agreement in the previous settlements with the IBA.

Jean Paul Sajhau\(^\text{15}\) in his study "Employment wage and living condition in a changing industry" deals with the early history and development of the plantation industry in the world, employment opportunities, and the structure of the workforce, employee living condition etc. It also thoroughly analyses the gradual extension of the minimum wage and the shift towards time rates. It is said that, there are two main ways of fixing wages for plantation workers viz., the payment of time rates and the payment of piece rates or payment by results. The study finally concludes that the profound changes that have taken place in the ownership and production structures of plantations have led to no great improvement in the situation of plantation workers. But, their social protection has been improved in some respects and they still enjoy some advantages like housing, free medical care over other agricultural workers and in many respects the living conditions of plantation workers, remain precarious, the gap between their wages and those paid to workers in industry or the territory sector is widening.

Ramesh T. and Sanjay Kumar\(^{16}\) their article "Human resource management in the new era" deals with Human Resource Management, its role and importance in defining organizations cutting edge, challenges and opportunities in today's competitive business climate.

It also focuses on objectives and need for HRM and HRM practice in organizations. It is said that, employee focused companies not only deliver the best shareholder value but also create more jobs. It is suggested that HR leader can always turn the worst to the best and, therefore companies should develop and implement a good H.R philosophy in the organization.

Sarya Ranganekar\(^{17}\) his study "Development and honouring human resources" reveals the developing and honouring human resources in different decades in different regions. It is said that in developing an employee three factors viz., contribution value, transfer value is analysed with examples and finally it is concluded that, productive use of human resource would involve not only developing the resource through contribution value, transfer values and leisure value but also respecting the resource to ensure a cordial relationship.

Havel Gedaliahu H and Tzafrir Shay S.\(^{18}\) in their study, "The effect of Human Resource Management practices in the perceptions of organizations and market performance of the firm" examined the relationship between HRM activities and the perception of organizational performance. The study is based on a national sample of organizations.

from privates and public sectors in Israel including 15 organizations from Israel governmental department. The result indicates that the HRM practices have a significant input on both the perceived organization and market performance of the organization.

Ratnam C.S. and Venkata Chandra V\textsuperscript{19} in their study “Sources of diversity and the challenges before human resource management in India” discussed impact of societal diversity in India on corporations and their management. The study also presents an exploratory analysis of the sources of diversity in India and its implications for human resource management and reviews the experiences of selected organizations.

Mahaptra Prasad Gopal\textsuperscript{20} in his unpublished dissertation “Personnel Policies and Practices and their impact of Industrial Relations – A study of the flying crew in Air India and Indian Air Lines” highlighted the personnel policies and practices and their impact on training and salary administrations, workers participation in management, motivation, job satisfaction and grievance procedure. His findings are related to inadequate manpower planning in effective grievance procedures and worker’s participation in management, motivation and job satisfaction of the flying crew as quite low in Indian Airlines and Air India.

Prakash Maheshwari\textsuperscript{21} in his unpublished thesis “Personnel management in Private Sector Industries – A case study of textile units in Davangere” attempted to study the types of recruitment systems, training,


appraisal, wage Administration, discipline and motivation and workers’
awareness about welfare facilities recreational and other activities,
workmen’s participation in the trade union activities etc.

4: STATEMENT OF THE PROBLEM

Wage and salaries play a very important role in determining the
conditions of employment. The relationship between employers and
Employee depends mainly on wages. Generally employees offer their
services for different types of rewards viz., basic pay, bonus, commission
and profit sharing plans for incentives and benefits such as insurance,
medical, recreational etc.

The management has to observe legal formalities that offer physical
as well as financial security to employees. The wage and salary
administration in an organization plays an important role in any HR
department efforts to obtain, maintain and retain an effective work force.

All the factors relating to wages and salary administration leads to
increase in output, improved quality satisfaction of the workers, better
industrial relations and so on. Therefore, this study is aimed at a detailed
analysis of human resource management with reference to wage and
salary administration in MICO Industries Ltd, Bangalore. The study is to
gain practical and logical knowledge towards wage and salary
administration and to understand the reason for the source of
dissatisfaction among employees. Hence, the statement of problem is
“Wage and Salary Administration in MICO Limited”.

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5: OBJECTIVES OF THE STUDY

The important objectives of the study are as follows:

1. To examine the existing machineries of wage and salary administration in MICO Industries Ltd. Bangalore.

2. To ascertain the job satisfaction among the employees in MICO Industries Ltd. Bangalore.

3. To identify the different benefits/incentives given to the employees by MICO Industries Ltd. Bangalore apart from wages and salary.

4. To locate areas of inter-personal and personnel problems generating out of nature of work like stress, fatigue etc.

5. To study the employees’ grievances handling and settlement of MICO Industries Ltd. Bangalore.

6. To know the management perception about their employees.

7. To verify the level of awareness of employees about personnel policies of the sample unit and extent of their respective unions.

8. To suggest remedial measures based on the findings.

6: SCOPE OF THE STUDY

The study covers the analysis of wage and salary and different personnel problems like recruitment, selection, placements, service conditions, rules and regulations, promotions, transfer, trainings, retrenchments, payments leave matters etc. It is undertaken with a broad view of making in depth study into the personnel problems faced by the employees of the MICO Industries Ltd, Bangalore. It will be useful for the concerned sample in their exercise of policy framing and drafting of programs and guidelines for the personnel welfare.
7: RESEARCH METHODOLOGY

a) Sources of Data

The study is based on both primary and secondary data. The primary data is collected by administering the pre-tested questionnaire among the employees of the selected sample unit, followed by the interviews with the staff in each cadre and salary grades in MICO. A separate questionnaire is inducted for Management staff and Workmen to ascertain the opinions of the personnel in the sample unit in four point scale for the measurement of their response.

Owing to time factor and for securing of quick feedback from the staff, it was essential to have the close-ended questionnaire. At the same time, the opinion of the workmen and management staff has also been recorded through personal interview.

The secondary data has been collected through the Charter of demands submitted by the employees union, Employees Minimum Wages Act 1948, Factories Act 1948, The Payment of Wages Act 1936, Payment of Bonus Act 1965, Employees' Provident Fund and Miscellaneous Provisions Act 1952, Payment of Gratuity Act 1972, Annual reports of sample unit, and Magazines, Newspapers, Periodicals etc.

The main focus was on the wage and salary administration procedures, its impact on the employees and to know their desired change in the present system and in personnel management in MICO Industries Ltd, Bangalore.
b) Sample Size

Out of 1055 workmen and 250 management staff in MICO, 100 workmen and 25 management staff is selected using simple random sampling method at 10 per cent of total employees in each category.

c) Tools of Analysis

The data thus collected have been properly classified, analyzed and interpreted with help of Advanced Statistical Package for Social Science Research. Tools like Mean, Average, Weighted Averages, and Percentages, Chi-Square Test, Coefficient Variance, etc., are used to arrive at certain product values of the samples collected at various stages. Charts and Graphs are also used for the interpretations of results.

8: LIMITATIONS OF THE STUDY

The study has the following limitations

1. The opinions may vary in accordance with the years of service of the employees. This is taken care by the inclusion of staff of all age groups.

2. The mood and temperament of the employee at the time of responding to the questionnaire and at the time of interview by the researcher may have influenced in obtaining of information.

3. Employees’ reluctance to give individual opinions on certain matters which are dealt only through their Union have influence on the information.
9: RESEARCH DESIGN

The entire research study has been presented in seven Chapters.

Chapter I: Introduction and Design of the Study

It covers introduction, need for the study, review of literature, statement of problem, objectives, scope of the study, research methodology and research design.

Chapter II: Wages and Salary Administration: A Conceptual Approach

This chapter throws light on the theoretical framework of wage and salary administration in India. It also focuses on Indian Acts relating to wage and salary administration.

Chapter III: An Operational Profile of the Company

This chapter gives information about Indian Automobile Auto Component Industry in first part and in the second part gives brief profile of the MICO Industries Ltd, Bangalore.

Chapter IV: Role of Trade Unions in Wage and Salary Administration in MICO

It deals with history and development of unionism in India in the first part and in second part the trade union practices and its role in promotion of employees in the sample unit.

Chapter V: Analysis of Machinery of Wage and Salary Administration.

It deals with Analysis of Salary structures; D.A. pattern, fringe benefits, bonus, and other incentives offered by the company to its employees and also focuses on the procedure followed by the company for the same.
Chapter VI: Analysis of Employees Response towards Wage and Salary Administration

It deals with Analysis of data collected through field survey.

Chapter VII: Summary of Findings and Suggestions.

In this chapter, the summary of finding of the research work are presented followed by suggestions based on findings emerged from data analysis.