CHAPTER V

WAGE & SALARY ADMINISTRATION
CHAPTER-V
WAGE AND SALARY ADMINISTRATION

Wage and salary administration is one of the most important operative functions of personnel management. This concerns with the problem of how much the employees are to be paid in return of their services rendered to the organization. The solution of which generally lies on the thorough analysis of all those factors which affect such remunerations. Though some recent surveys on 'job satisfaction' and employee morale 'conducted in the U.S.A. and the U.K. have revealed that wages and salaries have got fifth or sixth rank on the scale of job satisfaction and thus tended to minimise the importance of monetary income to employees, nevertheless, it is contended that compensation in one form or the other is certainly one of the main sources of motivation and job satisfaction in all the under-developed as also in developing countries like India where workers are very low paid and the cost of living is very high.

Many employers believe that workers are generally interested in the size of their pay-cheques/packets. If a person is asked why does he work, the chances are that his reply will be to make money. Wages may or may not be so important in the U.K. and the U.S.A. and other industrially advanced and economically sound countries but the fact reminds unchanged that people resist to be underpaid. Good
wages have often been emphasized as vital to and key element for satisfactory personnel relations. Low wages, on the other hand, have often been resulting into low standard of living, low satisfaction, low morale, and conflicting situations. The history of industrial relations in India clearly indicates that economic causes have been responsible for most of the strikes and industrial disputes in the country. Therefore, a sound wage and salary policy is an essential part and key to the success of any personnel programme and wage and salary administration is a vital function of personnel management. This is true not only in case of oil refining industry but it is equally true for all industries and all sectors rather for the entire economy as a whole. It is, therefore, proposed to have a separate chapter for its full length discussions. In this chapter different aspects of wage and salary policy as well as administration will be discussed. This will include the concepts, types, factors affecting and the methods for determining the wages and salary. Fringe benefits and various incentive plans will also be covered. A clinical analysis of the actual problem under study i.e. wage policy and wage and salary administration with respect to oil refining industry in India will be done in the background of a conceptual and theoretical framework.

CONCEPT OF WAGE AND SALARY

Wage means the remuneration paid for the service of labour in production. It is the payment made by the employers
for the efforts put in by the workers in production. This definition is very narrow because only those remunerations, according to this approach, may be considered as wages which are paid in return of the services performed in production processes. Thus the remuneration paid to the persons engaged in offices or anywhere else in non-productive tasks will not be included in this definition.

A more comprehensive meaning of wage may be one according to which "all remunerations capable of being expressed in terms of money, which would, under the terms of the contract of employment, be payable to a person employed or for work done in such employment." This definition is, no doubt, more comprehensive but it is also not without limitations. Wage given in kinds specially to the agricultural workers will be excluded from the purview of this wage concept. While wage should include earnings' irrespective of the fact whether it is paid in cash or kind. In case of industrial workers also there are certain facilities and privileges which, though do not add to the money wages of the workmen, definitely contribute to their real income.

Alford and Beatty have defined wages as "the aggregate earnings of an employee for a given period of time such as a day or a week, and are equal to the product of an hourly rate times the number of hours, or the product of a piece rate times the number of pieces, plus any premium or bonuses earned". While "Salary" according to the same authors "is compensation to an employee for personal services rendered on a weekly, monthly or annual basis". This definition has two distinctive features. Firstly, it includes premiums and bonuses in the wages, while in general practices they come under incentive plans and they do not form a part of the wages. Secondly, they have distinguished between wages and salary.

Amine, Ritchey and Hulley have also differentiated between wages and salary. According to them wages refer to hourly paid employees who are employed on non-supervisory jobs while salaries are the "sums paid to non-hourly rated employees". They have also included bonus commissions and any other form of monetary payment in wages. But in this text for the sake of simplicity and also to have a clear understanding such types of additional payments will be excluded from the concept of wages and salary and will be discussed under financial benefits and incentive plans at

a later stage.

Further in this text wage and salary will be used synonymously and interchangeably.

**TYPES OF WAGES**

Primarily wages can be classified into two as nominal and real wages.

(a) **NOMINAL WAGES:** The sum of money paid by the employer to the worker weekly or monthly on the basis of time, piece or job, is termed as nominal or money wage. Thus "nominal wages are wages paid or received in terms of money".  

(b) **REAL WAGES:** The real wages are the purchasing power of money or the nominal wage i.e. quantity or quality of goods and services which can be obtained with that money. It also includes all other financial and non-financial benefits like free-housing, cheaper ration, bonus, overtime and other allowances, conditions of work and employment etc.

With reference to their social purposes wages can also be classified into three types, viz. minimum wage, living wage and fair wage.

(a) **MINIMUM WAGE:** This has been defined as "the wage which provides not only for bare subsistence of life, but something


6. Ibid, p.60.
more than that". Here "bare subsistence includes food, cloth and shelter while "something more" means something for the preservation of efficiency of the worker. For this purpose minimum wage must also provide something for education, medical care and other such requirements and amenities.

The Minimum Wages Act was passed by the Government of India in the year 1948. The basic objectives of this legislation are:

(i) To protect poor unorganized worker;
(ii) To maintain industrial peace and harmony;
(iii) To promote organizational attitude among workers to enable them to determine for themselves a fair price for their labour".

The amount of minimum wage has to be fixed by different state governments and adjusted upward according to the rise in prices.

(b) LIVING WAGE: A living wage is a wage that sets up a standard which is above the standard of the minimum wage. But the term is so vague and controversial that it is always open to challenge. Still if the living wage is to be realistic it must be related to the productive capacity

of the firm and it should provide something for frugal comforts of the employees.

(c) **FAIR WAGE**: It is extremely difficult to define the concept of fair wage in a simple and straight manner. The fair wage is to be determined with reference to (i) the peculiar conditions prevailing in any country; and (ii) the conditions of a particular industry or region in the country. The problem of fair wage can best be solved by "a mutual spirit of 'give and take' of the employer and the workmen with due regard to the peculiar facts and conditions in each particular industry".9

The lower limit of the fair wage is fixed by the minimum wage, but upper limit is set by what is called the capacity of the industry to pay depending on:

(i) the productivity of labour;
(ii) the prevailing rates of wage;
(iii) the place of the company in the national economy as a whole; and
(iv) the level of national income and its distribution.

Of all these factors influencing fair wage, the state of national income is very important, because no wage policy can be regarded as just and economically sound, unless it encourages increase in the national income and secures to the wage earners a reasonable share out of it.

**METHOD OF WAGE PAYMENT:** One of the policy decision that every organization must take, is that of deciding the method of wage payment, to its employees. In selecting a suitable method of wage payment, management must take into account that it coincides the firm's overall wage policy and it is also appropriate to the nature of the work being performed. For instance, it is unusual to pay the manager of a company on hourly basis and to a worker on the assembly line on annual basis. But commonly the former is paid an annual salary at so much per month and the latter is paid on hourly/daily rate so much per hour/day payable once in a week or a weekly rate so much per week payable once in a month and both accept it as a satisfactory method of wage/salary payment.

Therefore, at the time of selecting an appropriate method of wage payment or formulating a policy regarding the system of wage payment the following considerations must be kept in mind.

(i) Does it keep the employees satisfied?
(ii) Does it facilitate managerial control?
(iii) Does it provide proper incentives to get the job done?
(iv) Is it easy to administer?
(v) Is it appropriate for the type of work being performed?
(vi) Is it based on a sound system of job evaluation?\(^{10}\)

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10. Amrine, Hulley and Ritchey, op.cit. p.396.
Broadly speaking, there are two methods of wage payment; they are (1) Time Rate System; and (2) Piece Rate System.

(1) **TIME RATE METHOD:**

The basic method of wage payment is undoubtedly the time rate method in which the employee is paid at a certain rate per hour or per day, and salaries are fixed per month or per annum. The amount of earnings in this system is equal to the rate per period of time multiplied by the total period. For instance wages may be fixed at Rs.5/- per hour for a worker in the plant, Rs.375/- per week for a clerk in the office and Rs.1800/- per month for a Supervisor in a workshop. If these wages are multiplied with period the wage of the worker will become Rs.40/- for a day and Rs.1200/- for a month if he works for 8 hours daily and that of a clerk will be Rs.1500/- for a month, while the salary of the supervisor will be Rs.21600/- per annum.

The system of wage payment on time basis has many advantages and disadvantages, such as it is simple to calculate and easy to understand. It requires no time standard or production records, the pay roll remains fairly stable and quality is not sacrificed, because there is no attempt on the part of workers to increase production.

On the other hand there are some disadvantages also. There is no strong motivation among workers to maintain high production, no monetary recognition is given for
increased workers' efforts and unit labour costs are more difficult to calculate.

(2) PIECE RATE METHOD:

The piece work plan is very simple. The employer fixes a money rate per piece and the earnings of the employee are equal to the product of rate per piece multiplied by the number of pieces produced. Though this system is a remedy to the objection that time rate system does not pay for increased worker's productivity; but this system has also been charged with other objections such as the tendency of the employee to produce poor quality in his desire to increase outputs. Therefore, it requires strict supervision to ensure that the specified standard of quality is fully adhered to.

FACTORS INFLUENCING THE DETERMINATION OF WAGES:

The determination of over all wage policy is not a simple and easy task as it seems to be. It is not confined only to the fixation of a piece rate or a time rate but there are a large number of factors involved which exercise their influence and hence they must be taken into account while determining any wage system or wage policy. Since these factors deserve special attention they are discussed separately in the following paragraphs.
1. LABOUR LEGISLATION:

There are considerably large number of legislations passed both by the Central and State Governments which affect the firms' wage policy either directly or indirectly. For instance the Union Government has enacted (a) Payment of Wages Act, 1936; (b) Minimum Wage Act, 1948; and (c) Payment of Bonus Act, 1965 etc. while determining any wage/salary policy and deciding any compensation plan the employer has to be cautious that there should be no violation of these legislations and various provisions there under. They provide them with a kind of guide lines and are also binding to them in many cases. Any kind of violation or any act of employer in contravention of the provisions or default of any type may invite specific types of penalties and punishments commensurate with the type and degree of defaults. They are of vital importance even if the parties intend to enter into a wage agreement. Because any such agreement providing less than minimum as specified by the Act or government machinery thereunder will be void. The reason is that most of the labour legislations have been passed with an intention to protect the interests of the poor working class, therefore, in majority of the cases a minimum level has been fixed to ensure that the workers do not get any thing below it. So the point of agreement may be anywhere above the minimum but never below it.
2. LABOUR MARKET:

The supply and demand of a particular type of labour will tend to seek a balance in the labour market. But owing to immobility, a situation of labour surpluses in one area and shortages in other area of a specific type of skill may occur in the labour market. Any shortage/surpluses of the workers of specific skills may have considerable influence on the wage/salary demanded by such persons. Excessively low or high payment and the problem of brain drain, for that matter, have been the consequences of demand and supply situation in the labour market and the resultant disequilibrium.

3. GEOGRAPHICAL LOCATION:

This is a fact that wage differential have always been found in different geographical areas. This is due to the fact that the cost of living is low in one area and high in another generally in big and cosmopolitan cities like Bombay, Delhi, Calcutta and Madras cost of living is higher as compared to other cities and similarly in rest of the cities the cost of living is higher in comparison with small towns. Naturally wage rates for similar jobs will be different from one place to another.

4. COST OF LIVING INDEX:

The ever changing cost of living index excercises great influence on the payment of wages and salary. During
periods of rising/falling prices of commodities and for that matter in the inflationary/deflationary situations, the cost of living tends to adjust itself upward or downward depending on the circumstances. Based upon this factor wages and salaries also require to be adjusted according to the rise and fall in the prices of the commodities. In addition to basic wages and salary employees also receive dearness allowance (D.A.) to offset the increased cost of living. So far as the fall in prices is concerned, its possibility in near and even far off future, not only in our country but all over the world, is out of question and hence a downward adjustment in wage and salary is almost unwarranted.

5. WAGE LEVEL:

The wage level maintained in a company is highly influenced by the company's wage policy and the company's wage policy is determined to a great extent by what we call the "going wages" in the market for the same classification of job. This is done through the wage survey of the neighbouring enterprises in the same industry. These inter-firm comparisons in wage rates would be used for bargaining purposes or for convincing the employees when they are found to be dissatisfied with their wages. These inter-firm comparisons are generally done on an 'industry-cum-region' basis. The rationale behind such comparisons being similar industries in a region would be comparable and the cost of living factors would also be similar. However, there is bound
to be some variations when either the management or the union emphasizes certain factors and, therefore, claims a different rate. For example, difference in technology can influence and cause variations in rates. Sometimes just base rates are compared in planning the total wage package while other wage components may be allowed to vary.

6. **ABILITY TO PAY:**

This factor is taken into account by the employer who intends to counter a demand for increased wages that the management thinks is excessive in its opinion. But the same can not be true and very useful in cutting the wages if the company is incurring losses. Because if the wages were cut on the pretext that the firm's financial condition is not sound enough to pay even the existing rates, the employees morale will become low and the productivity of the firm will also be adversely affected. Unions can also resort to this argument of "ability to pay" for getting their demand for increase in pay in the face of prosperity in the organization and its financial health.

7. **COLLECTIVE BARGAINING:**

In companies where recognised unions are operating on behalf of the employees collective bargaining plays a vital role in the determination of wages. The collective agreements generally provide pay scales for various job
classes which remain in operation for the period of agreement. The effect of collective bargaining is felt in non-unionised organization also. This is so for the obvious reasons that is employers of such organizations prefer to equalise and sometimes exceed the scale of unionised organizations in order to avoid unionisation of their employees.

In most of the organised sectors of industries where the workers are also well organised, grades and pay scales are generally fixed and revised through collective bargaining and resulting agreements. Refining industry in India is also not an exception to it and follows the same pattern. Almost all refineries in the country are subject to this method of wage determination, where by the representatives of the company/corporation and those of the unions sit together around the negotiation table and settle the matters related to wage fixation and subsequent revision and adjustment. In case of multi-plants organizations like Indian Oil Corporation, Union representatives from all refineries and pipelines are invited for a discussion and decision. The memorandum of settlement in refineries are generally signed for a period of three years. During the course of discussions both the management and the unions representatives make use of above mentioned factors if they see that any or all of them are going to support their stand and strengthen their view points.
8. **PRODUCTIVITY:**

Any change in the level of productivity will surely have its impact on the wage level. Productivity may be explained as an input-output ratio. An increased labour productivity is the increased output of employees resulting into lower labour costs. The improved profit margin made possible due to improved performance of the workers need to be distributed in a manner acceptable to both the workers and the management. A third group that deserves consideration in this context is that of the users of the company's product. They should also benefit by lower prices.

9. **ATTRACTION AND RETENTION OF EMPLOYEES:** The wage level of a company determines the kind and type of people it would be able to attract. In the face of the scarcity of jobs, employees may seek employment even in poorly-paying organizations as a stop-gap arrangement and then switch over to better pay masters, because in such cases the employees' willingness to work will be substantial less than normal.

In cases where the firm's financial condition is such that it can not afford to pay even the prevailing rates, the firm will be put to a disadvantage as far as the question of hiring and retaining of capable people is concerned.
SCIENTIFIC METHOD OF WAGE DETERMINATION:

Management is generally confronted with a number of problems while considering an equitable basis for determining compensation for the workers. Though in certain cases it can fix up wages and salaries arbitrarily, but it is not justified. In the absence of some scientific and mutually acceptable methods of wage determination either the management will be looser or the employees. This will definitely create dissatisfaction among the workforce. Moreover, any arbitrary and unscientific system of wage fixation is bound to be penetrated by discrimination which also puts adverse impact on the morale, motivation and ultimately on the productivity of the employees. Because what the employees want is that they should be paid equally for equal work. And if at all there are any wage differentials they must be due to some explainable causes.

This concept of equality in wages and salaries has fully been highlighted by Adams in his Equity Theory which is one of the process theories of motivation. Equity theory postulates that if individuals perceive any discrepancy between the amount of reward they receive and the amount of efforts they put in, they tend to reduce it. Furthermore, the greater the discrepancy the more they are motivated to reduce it. This discrepancy may be based on subjective perception or objective reality.
Adams defines a discrepancy or inequity "as existing whenever a person perceives that the ratio of his job outcomes to job inputs, in comparison with a reference person's outcomes to inputs, are unequal. The reference person may be some one in an individual's group, in another group, or outside the organization."

If the two ratios are unequal, the individual is motivated to reduce the inequity. This process requires three steps to be taken (a) comparison of outcome/input ratios between focal person and reference person, (b) decision (equity = satisfaction, inequity = dissatisfaction, and (c) motivated behaviour to reduce inequity.

Model Illustrating Equity Theory

<table>
<thead>
<tr>
<th>Focal Person A</th>
<th>Reference Person B</th>
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<tr>
<td><strong>Outcomes</strong></td>
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<tr>
<td>(0) Pay</td>
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<tr>
<td>(0) Promotion</td>
<td>(0) Promotion</td>
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<tr>
<td>(0) Recognition</td>
<td>(0) Recognition</td>
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<tr>
<td>(0) Praise</td>
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<tr>
<td>(0) Status</td>
<td>(0) Status</td>
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<tr>
<td><strong>Inputs</strong></td>
<td><strong>Inputs</strong></td>
</tr>
<tr>
<td>(1) Effort</td>
<td>(1) Effort</td>
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<tr>
<td>(1) Performance</td>
<td>(1) Performance</td>
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<tr>
<td>(1) Skills</td>
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<td>(1) Quantity of Prod.</td>
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<td>(1) Quality of Prod.</td>
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<tr>
<th>Comparison by Focal person A</th>
<th>(0) A &lt; (0) B</th>
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<td>1 &lt; 1</td>
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<th>Inequity under Payment</th>
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<td>Increase OR Decrease outcomes</td>
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<th>Equity</th>
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<td>Satisfaction</td>
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<th>Inequity over Payment</th>
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<td>Decrease OR Increase outcomes</td>
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To avoid such an unpleasant situation, generally a sound wage policy has to adopt a wage survey as well as a job evaluation programme. An external consistency i.e. reasonable equality with "going wage rates" paid by other companies in same industry or in the same region can be easily achieved when a firm periodically conducts a wage survey and accordingly adjusts its general wage level. Employees are equally in a good position to judge whether their jobs are paid correctly and reasonably in relation to other jobs in the company. Job evaluation, ensures internal consistency of wage within organization. Both wage survey and job evaluation will be discussed in the following pages.

WAGE SURVEY: Once the company has decided on its over all wage policy as to whether it should pay high, average below average as compared with the standards elsewhere, the next question it has to answer would be as to what are other companies paying on comparable jobs? This question is associated with the problem of wage rate and wage level and can be answered through wage survey. "A wage survey is a statistical picture of what the wages for a particular geographical area, occupation, industry or city were at a given time or at the present time". 12

The problem of wage level is one that requires perpetual attention all the time. Since the value of rupees and other economic factors are constantly changing, the wage rates to be paid in the labour market are also changing correspondingly. With a view to knowing factors relevant to current wage rates in a locality or an industry wage surveys are conducted by the leading companies, employers associations or the governmental agencies; several professional organizations are also engaged in conducting such surveys and making important informations available to the organizations needing them. In India, a governmental agency working on this line is Labour Bureau of the Ministry of Labour and Employment.

The basic objective of the wage survey is to maintain wage rates and wage levels, otherwise in the absence of uniformity the workers will be dissatisfied and many organization in the locality or the industry. This is so because they operate under the assumption that their rates are better/higher than others and fail to check the validity of this assumption. To avoid such situation the management must engage itself in gathering valid, reliable and relevant data through wage survey.

The responsibility of conducting wage surveys lies with the personnel department. Once the responsibility has been assigned to the department or any person in the personnel department, the next step is to plan for a survey.
The scientific wage survey includes the following steps to be taken:

(i) Selection of firms to be included in survey;
(ii) List of key jobs common to all firms selected;
(iii) Detailed descriptions of these jobs, so that valid comparisons may be made;
(iv) Questionnaires or interview to secure accurate data regarding wage and salary for the jobs under consideration;
(v) The compilation of these data to draw the results of the survey; and
(vi) Finally presentation of results and recommendations to management. ¹³

The data must be collected systematically and thoroughly, if they are to be useful in determining a firm's wage level. Moreover, detailed data will also be useful in explaining the situation to employees and their union as to why employees on a particular job receive more or less wage than others.

The wage surveys are useful in many ways to an organization. Some of the purposes they serve are as follows:

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¹³ Pigors Paul and Myers Charles A., op.cit., p.280.
(a) First of all, the informations collected will be useful for determining wages and thus solve various wage problems.

(b) The informations are also useful for recruitment and selection purposes.

(c) It may provide an answer why an organization is not able to get talented and qualified people which others are getting easily.

(d) A firm can update its wage rate in line with the rates of other companies for the same jobs and attract good personnel.

(e) The informations are also useful for job evaluation purposes.  

**JOB EVALUATION**

As a step towards establishing and maintaining internal consistency in the process of payment of compensation to the workers, there should be established a consistent and systematic relationship among base compensation rates for all jobs within the organization. The process of such establishment is usually termed as "job evaluation". In job evaluation process an attempt is being made to consider and measure the inputs required of employees (knowledge, skills, efforts, responsibility, etc.) for minimum job

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performance and to translate such measures into specific monetary terms. "Job evaluation is the application of the job analysis technique to the qualitative measurement of relative job work, for the purpose of establishing consistent wage rate differentials by objective means". Therefore, it is a study of the job worth in relation to other jobs in the organization. It measures the difference among jobs, on the basis of job requirements and furnishes the differential numerically so that it may be converted into wage rates after determining the wage levels. The wage level as it has been seen earlier is determined through wage survey, management decision and collective bargaining. In the process of bargaining the Union leaders generally try to raise the level of minimum wage, because once the level of minimum wage is set, all the jobs, will naturally be remunerated according to differentials in their worth, and the use of job evaluation has to be made for a systematic appraisal of the worth or value of each job. The evaluation can not be completely accurate as it involves the discretion and personal judgement of the evaluators while doing a detailed study of the jobs and comparison of their components. For this reason a sort of relative evaluations are likely to be more reliable and dependable than any kind of haphazard and arbitrary determination.

Job evaluation is not a one-shot process or method. It has a number of elements and steps in it. These elements have been illustrated by following chart developed by Dale S. Beach.

**Figure: Elements of Job evaluation**

From the chart given above we get an idea as to what constitutes a job evaluation. Now let us turn to the method used in evaluating jobs.

METHODS OF JOB EVALUATION

Now a days there are four basic methods in use for any systematic job evaluation programme. They fall in two broad categories. The first category covers the simpler method which do not make use of detailed job factors. The job as whole is treated and job descriptions rather than job specifications are normally utilized. In this category generally we put two system which are commonly known as the non-quantitative or qualitative methods such as (1) Simple ranking ; and (2) grading system/classification.

The second category covers sytems which go for a more detailed approach. In these systems job factors are selected and measured and the company's job analysis programme must result in job description and job specifications that state requirements for each of these factors. This category is known as the quantitative approach and includes (1) the point system, and (2) the factor comparison system.

The same can be presented in the form of chart and then each of the systems under both the categories will be taken up for detailed description separately.
Before an attempt is made to discuss these methods in greater detail it is to be noted that all methods cannot be used simultaneously though sometimes a combination of more than one is possible. Moreover, all are not equally good for all situations hence sound decision must be made in selecting the best and most suitable method under a given situation.

While the ranking and grading methods are referred to as "non-quantitative" and non-analytical methods", the points system and factor comparison method are known as analytical and "quantitative". The first two methods evaluate jobs in terms of their over-all worth rather than on the basis of specific factors like mental or skill requirements. On the other hand the last two systems evaluate them in terms of specific factors like mental, skill and physical requirements as well as responsibility involved and the conditions under which the work has to be performed. Hence the latter methods have the advantage of being more objective in approach than the former.
Though absolutely it is difficult to say that any of these methods is better than other methods, because each of them have got certain advantage and disadvantages. Hence factors such as cost involved, time available, policies of the organization and similar other issues influence the decision regarding the use of any particular method for the purpose of job evaluation. The method selected however, should be one which enables thorough study of the job, can be easily understood and accepted as well; provides accuracy in rating; is comparatively easy to install and maintain, and suits the specific needs of the organization.¹⁷

1. RANKING METHOD: The ranking method is the first among the job evaluation methods developed so far and it is the simplest one. The essential requirements for going for this method is the availability of detailed and accurate informations on job description as well as job specifications of the jobs to be evaluated. This method requires ranking of jobs in order from most to least important.

Under this kind of approach towards the job evaluation problem certain factors common to many jobs such as education, knowledge, skills, mental effort, physical effort, working conditions etc. are selected for comparision purpose. But these factors are not compared systematically, rather they are considered only in a general way. The raters compare whole job with the whole job taking into account the degree of involvement of these factors. The raters either individually

or as a group considering job description and job specification data of each job decide as to which job requires the least amount of these factors selected for evaluation purpose and assign the lowest rank to that job. They may start with the lowest rank and go up to the highest or vice-versa. In the case of individual ratings, after the ratings are completed the individual members of the evaluation committee assemble together and try to reach a consensus or average their evaluation results to have a common ranking.

There is another variant of this simple ranking method which is definitely an improvement over the approach discussed in foregoing paragraph. Here instead of taking one job and comparing it with all other jobs to be evaluated a pairing system is adopted where in a pair is compared at a time and record kept as to the number of times a particular job is judged to be more demanding than other jobs with which it is compared. In this method the number of comparison are determined with the help of the following formula:
\[ N \frac{(n-1)}{2} \] Where \( N \) is the total number of jobs. For example if the number of jobs is 5 the number of comparisons will be as under:
\[
\frac{5(5-1)}{2} = \frac{5 \times 4}{2} = \frac{20}{2} = 10
\]

The evaluation under this method is shown in the following table.
In the above table job 1 has been compared with job 2, then with job 3, job 4 and job 5. As a result of which job 1 has been found to be more difficult than job 2, job 3 and job 4 except job 5. Similarly the comparisons of job 2 with job 3, 4 and 5 and job 3 with job 4 and 5 and 4 with 5 only were made taking one pair at a time while doing so the job which was found to be more difficult than the other was given one (1) and the less difficult was marked with zero. It is evident from the above table that job 5 is the most difficult and job 3 is the least difficult of all the jobs. The ranking of all these five jobs have been given below:

Job 5 is ranked as 1
Job 1 is ranked as 2
Job 4 is ranked as 3
Job 2 is ranked as 4
Job 3 is ranked as 5
The ranking method has got certain advantages and disadvantages. They are as follows:

**Advantages:**

1. It is relatively simple to make use of.
2. It is less expensive.
3. It is expeditious

**Disadvantages or Limitations:**

Lanham outlines these limitations in the following manner.

1. No definite or concrete standards exist for determining rank.
2. The ranking may be superficial since no detailed consideration is given to the factors fundamental to the job.
3. Confusion is likely to result from similar job titles.
4. It is difficult to find enough raters with sufficient knowledge of all jobs.
5. The system becomes more difficult to use as the number and complexity of the job increases.
6. Determination of the rank position is likely to be influenced by the existing wage and salary.
7. Raters may be ranking incumbents on the job and not the jobs themselves.18

18. E. La han, o.p.cit., p.158
8. The difference among all the jobs ranked differently in different positions may not be equal in all cases.

9. Reaching consensus when the members of the evaluation committee are divided over evaluating a job may be cited as another disadvantage of ranking method.

2. THE GRADE OR CLASSIFICATION METHOD: This method is generally used for evaluating the salaries jobs. This method was originally developed by the Bureau of Personnel Research at Carnegie Institute of Technology. In its initial stages this method was quite popular and the organization used it very extensively but after the point system and factor comparison method were developed the use of this method has become very limited.

In this method, various jobs in the organization are placed into some grades and classes according to the pre-determined wage classes or grades. Only after the grades or classes are established, the actual job descriptions are examined and the jobs compared against the pre-determined standard. The fundamental principles underlying this method is that within any given range of jobs there are gradations in the level of duties, responsibilities and skill requirements for the effective performance of the job.

The step involved in this method of job evaluation are as follows:
1. First of all broad job groupings are made such as managerial, supervisory, operatives and clerical etc.
2. Each broad job grouping as divided into a number of grades or classes or sub-groups such as clerical - C-1, C-2, and C-3 etc.
3. General descriptions are written for those grades or classes.
4. These grades or classes are then used as standards and other jobs are assigned to a particular grade or class.

The problem as to how many job grades and classes should be depends upon the complexity of the jobs. However, Otis and Leaukart have identified the following factors to be considered in determining the number of grades to be used.

1. Type of job included.
2. Range of salary and wage.
3. Range of job skill.
4. Company upgrading policy.
5. Policy of promotion within a grade.
7. Tradition in the industry.\textsuperscript{19}

\textsuperscript{19} Otis and Leaukart, op. cit., p. 71
Once the number of description of grades or classes have been determined, the evaluators study each job and select the grade description which they think nearly fits the overall level requirements of the job.

The following are the advantages and limitations of this method:

1. It is relatively simple.
2. Easy to understand.
3. Description is general in nature.
4. It provides for flexibility.

Limitations:

1. General grade descriptions are difficult to write and great care and judgement must be exercised.
2. Sometimes it is difficult to include a particular job exactly into one class.
3. This method of evaluation may be suitable for small companies with a lower number or simple jobs.

The usefulness of this method outweighed by its limitations. Perhaps this is the reason responsible for its limited application.

3. THE POINT SYSTEM:

The point method of job evaluation is, to some extent, similar to the grading or job classification method. The point of similarity is that jobs are compared against a scale. However, point method differs from grading system in the sense that the former is more detailed than the latter.
The reason is that in the former's case scales are used for each important factor of job rather than having one scale for the whole job. In this method the evaluator determines the worth of the job factor by factor, against the scale. To understand the functioning of this method, one has to know more about the mechanism of this method. In fact the construction of point scale and evaluation of jobs against it is a rigorous work.

The whole process of constructing the point manual and finally evaluating job involve the following steps:-

1. Determining type of jobs to be evaluated.
2. Selecting key factor, common to the jobs to be evaluated.
3. Breaking down key factors into sub-factors.
4. Define factors and sub-factors.
5. Assigning degrees to each factor.
6. Defining the degrees.
7. Deciding the maximum number of points to the entire manual.
8. Judging the relative weight of the factors and sub-factors.
9. Distributing points to various degrees according to their relative weights.
10. Using the point manual for determining the relative worth of jobs by comparing jobs, factor by factor (sub-factors), against various factor (sub-factor); degree definitions and descriptions. Based on this comparison system, the evaluator selects the degree that best describes the requirements of the job being evaluated and assigns the job the point value of the degree selected. Similarly, all the factors in the job being evaluated are compared degrees are selected and points are assigned. At the end of this process, the total point value for the job can be easily computed.

The above mentioned step are dealt with at some length in the following paragraphs:

The first step in constructing the point scale is to determine the types and the range of jobs. This has to be clearly specified as to whether the point scale constructed is intended for operative job or clerical or supervisory or managerial positions. This step is very important as the accuracy of the method apart from other things very much depends on this factor. Once this is done the next step is to identify the key factors. The commonality of these factors depends very much on the commonality of the types of jobs selected because factors commonly present in operative jobs are not common to supervisory job or clerical jobs. For example the elements of hazard may be more important factor for factory jobs and has least significance for
clerical jobs. Some of the factors considered important factors for constructing a point scale are as under:

1. Skill
2. Efforts
3. Responsibility
4. Working conditions.

Now these key factors can be divided into sub-factors like:

1. Skill = job knowledge, experiences and initiative etc. and ingenuity.
2. Effort = Physical efforts and mental efforts
4. Job conditions = Hazards involved and general working conditions.

The next step is to define the factors and sub-factors for evaluating the worth of the jobs. This helps in achieving uniformity in interpreting them. Otherwise, the same factor, will be interpreted differently by different evaluators. For example, if not clearly defined the factor "job knowledge" may be interpreted as 'formal education' by one evaluator, 'training' by other and both formal education and training" by a third one.

The fifth step is determining and defining degrees. Although all the factors and sub-factors chosen are important to all jobs being evaluated but normally they are equally
important to all of them. Hence, some kind of scale of measurement is necessary for determining the level to which each factor exists in each of the job being evaluated. This objective could be achieved by means of assigning a series of "degrees".

The first degree may be used to denote the minimum requirement of a particular factor and the last degree may be used for denoting the maximum requirement of that factor. For example, the factor education may be assigned five degrees and then defined as under:

1st degree may be used to denote - Elementary School education,
2nd degree may be used to denote - High School incomplete,
3rd degree may be used to denote - High School complete,
4th degree may be used to denote - Intermediate level
5th degree may be used to denote - 3 year college degree.

The number of degrees may differ from factor to factor in the point scale. For instance a factor like "experience" may require more degrees than factor like, "hazards". It is also possible that while constructing manual all factors are assigned equal number of degrees but variations in degrees used may range anywhere between three to fifteen for different factors.

The next step in constructing the point manual is to assign weights or point to each of the factor, sub-factors and to each of the degrees. As the first step in this direction is to determine the total number of points to
be assigned to the entire manual. Normally 500 points are considered to be the maximum number. The next step would be to allocate these points to different factors and sub-factors listed in the manual keeping in view their relative contributions in the effective performance of the job. It is generally assumed that the maximum weight of all factors equals to 100%. Let us assume that the order of importance of all the factors along with their relative weightages are as follows:

<table>
<thead>
<tr>
<th>Rank</th>
<th>Factors</th>
<th>Relative Weights</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Skill</td>
<td>30%</td>
</tr>
<tr>
<td>2</td>
<td>Effort</td>
<td>25%</td>
</tr>
<tr>
<td>3</td>
<td>Responsibility</td>
<td>25%</td>
</tr>
<tr>
<td>4</td>
<td>Working conditions</td>
<td>20%</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Once percentages are assigned to each of the factors, the next step is to break the maximum points of the manual according to the percentages. For instance let us assume that 500 points are determined for a manual. These points would be allocated in the following manner:

<table>
<thead>
<tr>
<th>Factors</th>
<th>Relative Weightage</th>
<th>Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>Skill</td>
<td>30%</td>
<td>150</td>
</tr>
<tr>
<td>Efforts</td>
<td>25%</td>
<td>125</td>
</tr>
<tr>
<td>Responsibility</td>
<td>25%</td>
<td>125</td>
</tr>
<tr>
<td>Working conditions</td>
<td>20%</td>
<td>100</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>500</strong></td>
</tr>
</tbody>
</table>
Just as the weights and points have been assigned to the different factors in the same fashion, the weights and points are allocated to the sub-factors. Let us consider the factor skill which has 150 points.

<table>
<thead>
<tr>
<th>Factor</th>
<th>Sub-factor</th>
<th>Relative Weights</th>
<th>Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>Skill</td>
<td>Education</td>
<td>30%</td>
<td>45</td>
</tr>
<tr>
<td></td>
<td>Experience</td>
<td>70%</td>
<td>105</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>150</td>
</tr>
</tbody>
</table>

The next stage in the process of manual construction is to distribute these points to the various degrees of each factor and then sub-factors. Either of the two methods viz, arithmetic progression and geometric progression can be made use of for allocating these points to various degrees. Under the former method, the point values between the different degrees remain the same. For example

**Arithmetic Progression Table**

<table>
<thead>
<tr>
<th>Degrees</th>
<th>Factor Education</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>9</td>
</tr>
<tr>
<td>2.</td>
<td>18</td>
</tr>
<tr>
<td>3.</td>
<td>27</td>
</tr>
<tr>
<td>4.</td>
<td>36</td>
</tr>
<tr>
<td>5.</td>
<td>45</td>
</tr>
</tbody>
</table>
On the other hand, under the geometrical progression, the point values between degrees ascend progressively.

### Geometrical Progression Table

<table>
<thead>
<tr>
<th>Degrees</th>
<th>Factor Mental Efforts 'With scores 80'</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>2</td>
<td>10</td>
</tr>
<tr>
<td>3</td>
<td>20</td>
</tr>
<tr>
<td>4</td>
<td>40</td>
</tr>
<tr>
<td>5</td>
<td>80</td>
</tr>
</tbody>
</table>

- 5 points increase
- 10 points increase
- 20 points increase
- 40 points increase

Since both the methods serve the purpose in equally good measure, there is no point in favouring one against the other. Still the former method can be said to be easier than the latter from the point of view of understanding.

### POINT MANUAL

Prepared under point system of job Evaluation taking factors, sub-factors and degrees into account.

<table>
<thead>
<tr>
<th>Factor (100%=500)</th>
<th>Sub-factor</th>
<th>Degree I</th>
<th>Degree II</th>
<th>Degree III</th>
<th>Degree IV</th>
<th>Degree V</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Skill (30%=150)</td>
<td>Education (60%=90)</td>
<td>18</td>
<td>36</td>
<td>54</td>
<td>72</td>
<td>90</td>
</tr>
<tr>
<td></td>
<td>Experience (40%=60)</td>
<td>12</td>
<td>24</td>
<td>36</td>
<td>48</td>
<td>60</td>
</tr>
</tbody>
</table>

contd..
ADVANTAGES & DISADVANTAGES OF POINT SYSTEM

In comparison to other methods of job evaluation discussed so far the point system has the following good points:

1. It makes use of the graphic and descriptive types of rating scales which most of the people in the field consider the most reliable and valid.²⁰

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²⁰ Otis and Leukart, op.cit., p.92.
II. Under this method the jobs are broken down in parts, and evaluations are made on the basis of the parts of the job rather than the whole job. This increases the objectivity.

III. At each and every stage consensus is developed among the members of the evaluation committee which ensures the effectiveness of this method.

IV. Point method becomes very simple if the manual is borrowed from other organization/association/agency. If it is to be constructed, it becomes easy to understand by all concerned once it is completed.

V. This method makes it easier to put jobs into classes or grades.

VI. Lastly, the point values assigned for each job show the relative differences between and among the jobs in numerical terms.

With all of its merits, this method has certain demerits as well. They are as follows:

(I) The construction of point manual is a difficult task.

(II) Selecting factors, breaking them into sub-factors, assigning degrees and points and finally defining all these require a great deal of expertise and judgemental ability. In practice these are done more subjectively than objectively, which minimises its reliability and dependability.\(^{21}\)

\(^{21}\) Lanhan, op.cit., p.175
(III) The concepts of factors, sub-factors, degrees, relative weights, point values and pricing the point values are not very easy and simple to be understood by the workers and demonstrated by the supervisors.\textsuperscript{22}

(IV) Not understanding the mechanics of point system may create suspicion in their mind.

(V) Reaching an agreement by all members at all stages of manual construction is a difficult job and might create a major problem.

(VI) This method is a time consuming process and also lacks flexibility in its application.\textsuperscript{23}

Despite its numerous disadvantages the point system method of job evaluation is the most popular method, because its advantages out weigh its disadvantages.

4. THE FACTOR COMPARISION METHOD:

This method was evolved and developed by Eugene J. Benge in the year 1926. Like point system of evaluation, this method also involves factor by factor comparision. But in this method a few key jobs are first selected then they are compared with each other on the basis of various factors. This kind of comparision results into a ranking system, which serves as a scale against which many non-key jobs are evaluated. This does not confine itself merely to comparing the jobs, it also involves determinations of money value for the jobs. The basic procedure involved in this method of evaluation is as follows:

\textsuperscript{22} Otis and Leukart, op.cit., p.95
\textsuperscript{23} ILO, op.cit., p.33
1. Determining and defining the factor to be used in the plan.
2. Selecting and describing the key jobs;
3. Ranking key jobs under each factor;
4. Apportioning the money rate for each key job, to the factors in the plan;
5. Establishing the factor comparison scale and adding supplementary jobs; and
6. Evaluating the remaining jobs by the scale.\textsuperscript{24}

Just as in the point system in this method also a manual/scale has to be developed first.\textsuperscript{25} The following steps are involved in the process of manual constructions.

The first step is selecting the key jobs from the types of jobs to be considered for evaluation. The key jobs must be good representative samples of the jobs to be evaluated. Such jobs can be recognized very easily due to (i) their importance; (ii) difficulty involved in performing them; and (iii) wage rates paid, where as the third is the most important factor in selecting key jobs. The key jobs so selected must be between the lowest wage rates to the highest wage rates and these wage rates must be in line with the community wage rates/going wage rates. Though there is no specific number of key jobs to be chosen, rather it depends on the size of the organization. Selection of key jobs is very vital in the factor comparison method, because key jobs work as standards against which non-key jobs are evaluated.

\textsuperscript{24} Patton & Littlefield, op. cit., p. 95
\textsuperscript{25} for greater detail in this regard "See Manual of job Evaluation" by Benge Eugene J. Benge el al, Harper & brother, New York, 1941.
The next step in the process of scale construction is the selection and definitions of factors on which the jobs are rated and evaluated. Here again the same four major factors such as skills, efforts, responsibility and working conditions can be considered as it has been done in point system. Though these factors are universally applicable but still the organization should not go on following them blindly rather they must look into their own specific situation and add and delete factors as the situations demand. Once they have been finally selected they must be defined clearly and precisely so that the evaluators may be able to interpret them in the same fashion. Regarding the definition of the factor much has been discussed in the former system of evaluation.

The next important step in the construction of factor-comparison scale is the ranking of the key jobs. The ranking of key jobs can be done in two different ways. Firstly the members of the evaluation committee individually rank all jobs from easy to difficult and low to high and then collectively agree on the rankings of those jobs. Secondly they apportion the current average wage being paid on each key jobs to various factors used. This process is followed without reference to the job ranking on the basis of factors. This is illustrated by example given below:

Primarily it is assumed that the maximum weight given to all the factors would be equal to one hundred per cent.
This maximum weight is then distributed among the various factors according to their importance as under:

**Relative Weights of Factors**

<table>
<thead>
<tr>
<th>Factor</th>
<th>Weight</th>
</tr>
</thead>
<tbody>
<tr>
<td>Skill</td>
<td>30%</td>
</tr>
<tr>
<td>Effort</td>
<td>25%</td>
</tr>
<tr>
<td>Responsibility</td>
<td>25%</td>
</tr>
<tr>
<td>Working Condition</td>
<td>20%</td>
</tr>
</tbody>
</table>

Once this has been done, the next step is to distribute the daily rate of the job to these factors according the weights given to them in the various table.

Assuming that the daily rate for a particular job is Rs.40.00. The apportionment of this amount to the different factors according to their relative importance to the job would be done as under:

**Apportionment of Daily Wage Rate of Factor**

<table>
<thead>
<tr>
<th>Factor</th>
<th>Relative Weights</th>
<th>Portion of Wage Control</th>
</tr>
</thead>
<tbody>
<tr>
<td>Skill</td>
<td>30%</td>
<td>12</td>
</tr>
<tr>
<td>Effort</td>
<td>25%</td>
<td>10</td>
</tr>
<tr>
<td>Responsibility</td>
<td>25%</td>
<td>10</td>
</tr>
<tr>
<td>Working Conditions</td>
<td>20%</td>
<td>8</td>
</tr>
</tbody>
</table>

100%                     40.00
The above mentioned procedure is followed until the
daily wage rates for all jobs included in the job evaluation
have been distributed. After plotting these breakdowns in
the wage apportionment table, the next thing is to prepare
a new ranking, showing the vertical ranking of wage rates
under each factor. This kind of specimen is presented in the
following table.

**WAGE APPORTIONMENT AND RANKING**

<table>
<thead>
<tr>
<th>Jobs</th>
<th>Daily Wage Rate(Rs)</th>
<th>Skill Rank</th>
<th>Effort Rank</th>
<th>Responsibility Rank</th>
<th>Working Condition Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tool and Die make</td>
<td>50</td>
<td>1</td>
<td>15.00 1</td>
<td>12.50 1</td>
<td>12.50 1</td>
</tr>
<tr>
<td>Mechanist</td>
<td>45</td>
<td>2</td>
<td>13.50 2</td>
<td>11.25 2</td>
<td>11.25 2</td>
</tr>
<tr>
<td>Carpenter</td>
<td>40</td>
<td>3</td>
<td>12.00 3</td>
<td>10.00 3</td>
<td>10.00 3</td>
</tr>
<tr>
<td>Mali</td>
<td>35</td>
<td>4</td>
<td>10.50 4</td>
<td>8.75 4</td>
<td>8.75 4</td>
</tr>
<tr>
<td>Sweeper</td>
<td>30</td>
<td>5</td>
<td>9.00 5</td>
<td>7.50 5</td>
<td>7.50 5</td>
</tr>
</tbody>
</table>

A factor comparison worksheet used in setting up the
key job rating scale. Rank number 1 is for the job having
the highest amount of the factors and higher wage rate and
5 is the lowest.
This kind of ranking is possible only when weights given to all factors are equal in case of all jobs, otherwise it would differ substantially as given in the following table:

<table>
<thead>
<tr>
<th>Jobs</th>
<th>Daily Wage Rate (Rs)</th>
<th>Skill Wage Rank</th>
<th>Effort Wage Rank</th>
<th>Responsibility Wage Rank</th>
<th>Working Condition Wage Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tool and Die make</td>
<td>50</td>
<td>15.00 1</td>
<td>12.50 1</td>
<td>10.00 2</td>
<td>12.50 1</td>
</tr>
<tr>
<td>Mechanist</td>
<td>45</td>
<td>13.50 2</td>
<td>9.00 3</td>
<td>11.25 1</td>
<td>11.25 2</td>
</tr>
<tr>
<td>Carpenter</td>
<td>40</td>
<td>12.00 3</td>
<td>10.00 2</td>
<td>8.00 4</td>
<td>10.00 3</td>
</tr>
<tr>
<td>Mali</td>
<td>35</td>
<td>10.50 4</td>
<td>7.00 5</td>
<td>8.75 3</td>
<td>8.75 4</td>
</tr>
<tr>
<td>Sweeper</td>
<td>30</td>
<td>9.00 5</td>
<td>7.50 4</td>
<td>6.00 5</td>
<td>7.50 5</td>
</tr>
</tbody>
</table>

The new ranking given in wage apportionment and the ranking given in factor comparison are then compared as a cross check to find out discrepancies, if any, and adjustments are made to bring rank order and rate assignment into their correct relationship by making some changes in horizontal relationship.  

Once these adjustments are made the table is ready for use. The non-key jobs are measured against the key jobs in the factor-comparison table and they are fitted into the table accordingly. The total value of each is determined by adding the values assigned to each of its relevant factors. The jobs are arranged according to their values.

If the job of a helper is to be evaluated with the help of factor-comparison table. The skill of a helper is compared with the skill of key jobs and found that it can rightly be placed between the skill of a carpenter and a Mali. The wage apportionment for the skill factor of the helper would be somewhere between ₹ 12.00 and ₹ 10.50. The committee has to take decision regarding the exact amount. Normally an average of the two \( \frac{12.00 + 10.50}{2} = 11.25 \) is assigned to the skill factor of the helper's job. Similarly other factors like effort, responsibility and working conditions of helper are compared with those of key jobs. The wage apportions are thus added to determine the worth of the job of a helper.

Other non-key jobs are added to the factor comparison scale in the same fashion. Evaluation of non-key jobs become easier as more and more jobs are evaluated and added to the scale. The original key jobs gradually lose their importance as the list is made exhaustive and they
are considered as merely starter of the factor-comparison scale, otherwise in other respects they are similar to other jobs on the scale.

**Advantages and Disadvantages of factor-Comparison Method:**

1. The basic advantage is that it involves job to job comparison. This is done in a very logical manner by comparing jobs on comparable factors.

2. This does not simply show the relative difference of worth among the jobs compared, but also the money value of the jobs.

3. Once the factor-comparison scale is developed, it becomes relatively easier to use in evaluating non-key jobs.

**Disadvantages:** Some of the disadvantages of this method are as follows:

1. Selection of key jobs is a difficult task. Any mistake committed in the process of selecting key jobs will destroy and invalidate the effectiveness of this system.

2. In this method present wages are used as a basis of scale development. Any change in wage rates due to economic fluctuations or other reasons would make the comparison scale lose its relevance in setting the job rates.
3. Any change in the duties and responsibilities of a key job included in the evaluation plan may also lessen its effectiveness.

4. The construction of a comparison scale and its understanding by the employees is difficult one. Wage rates are also apportioned arbitrarily.

5. Finally, it is time consuming and cumbersome.

Job evaluation is useful in a number of ways, to an organization.

1. The determination of the relative worth (value) of jobs helps in minimising if not totally eliminating inequities in the available wage structure. Once it is done new jobs can easily be fitted into the present wage structure.

2. The various kinds of problems and grievances related to wages and work loads can also be minimised or eliminated and thus job evaluation helps in improving industrial relations.

3. Job evaluation eliminates unfair wage levels and thus improves the morale and motivation of workers. This provides for a more impersonal and objective standard and a clearer basis for negotiation and bargaining for both the parties.
4. It helps to identify the weaknesses and mistakes committed in placement in terms of discrepancies in skills and potential required by the job and available in the incumbent and thus helps management in improving the placement by having a best fit from both the points of view.

5. The different kinds of informations collected in the process of job evaluation can also be used in improving various personnel functions, such as selection, training, promotion, transfer, safety programmes and so on. 

Job evaluation is not without its limitations and short comings. They are as follows:

1. Determining relative worth of jobs in an organization is a costly and time consuming device.

2. Most of the methods of job evaluation do not accommodate for technical changes, economic fluctuations and others. They are generally not flexible.

3. Inspite of being impersonal and objective, subjectivity and arbitrariness are involved in many ways.

Despite these limitations many organizations in industrially advanced countries have shown increasing interest in making use of job evaluation. Some of these weaknesses can be overcome by making improvements by using combination of two or more of these methods.
WAGE POLICY AND POLICY PROBLEMS:

In the absence of a sound wage policy, wages are generally determined arbitrarily without taking care of the overall wage structure, while its presence results into a systematic procedure for establishing a sound compensation plan and sound structure. This helps in reducing wage inequities and leads to a good wage and salary administration programme which raises employee morale and reduces inter-individual and inter-group friction and conflict. It also helps in setting wages at a level high enough to enable the company to attract and retain good employees but not so high to cause unnecessary burden and financial strain on the company. It also motivates people to work for increase in pay and to get promotions, reduce union and employee's grievances. Further, it enables management to exercise centralized control over the second largest item of cost: the wage and salary bill in the organization. 27

The wage policies of different companies, though common in many ways still vary from one another. For instance, marginal companies agree to pay only minimum necessary to attract the required number and type of people. Most of the time they pay minimum as required by the central

27. Strauss and Sayles, Personnel, PH. 1977, pp. 553-54.
and state laws, like the Minimum wage Act, 1948, in our country which requires employers coming within the purview of this piece of legislation not to pay less than minimum specified by the state governments from time to time, which also varies from state to state.

On the other extreme there are organizations which prefer to pay well above the prevailing wage rates in the same industry in the same locality or the labour market as a whole. They wish to go for such policy to attract and retain the highest calibre work force that can be obtained. By doing so, the management expects superior performance from its superior employees, thereby achieving the economy of high payments. Because greater production per employee due to their increased efficiency would result into greater output per hour leading to lesser labour cost per unit. Which would ultimately be setting off the high salary cost as a whole.

Some companies may also decide to pay high wage rates because of a favourable product demand, better ability to pay and strong bargaining power of the union.

These have been two extreme types of policies but still there is one most common type of wage policy, prevalent in a vast majority of the organizations. Most of the companies, instead of going to the either of the extremes prefer to be competitive in their wage policies and programmes,
i.e. they decide to pay some where near the doing rate in the labour market, for different classes of workers they procure. In fact, they wish to employ a reasonably good quality and to pay them fairly and equitably so that they may feel that they are paid properly. They try to avoid wage inequities, a potential source of employees' discontentment and dissatisfaction in the organization. Thus majority of all forms's gave greater weightage to wage criteria like job requirements and going rates of payment in the labour market. Other factors like demand and supply, cost of living, ability to pay, productivity, geographical disperson etc. are normally given only secondary or tertiary status, although special circumstances may force any one of these factors criteria to be in the fore front may be for short term.

Job evaluation programmes are generally adopted to formulate a sound wage policy, in order to establish fair wage differentials based upon differences in job content and job requirements and also to reduce inequities thereby maintaining internal consistency.28

Periodical wage surveys can also be resorted to in order to conform to the going wage rates and thereby maintain

external consistency as has already been discussed earlier. However, there is far more to job evaluation than merely going through the mechanical procedures that have been described in the previous pages. There is no doubt that in following these procedures management can tentatively put each job in a job classification and for each classification it can set a wage and salary rate. However, job evaluation can not provide fully scientifically and objectively determined fair rates, because even quantitative/objective methods of job evaluation like point system and factor comparison are not completely free from subjective process and there is much room for discretion, arbitrariness, personal judgement and human errors. Even if the management has taken utmost care in the job evaluation process, it is not enough to strive for complete laboratory like objectivity, which is impossible in this case, rather what matters most is whether the outcome of such and other similar exercises result into a wage and salary structure which meets the objectives of a sound wage policy and wage administration, like seem fair to those who are concerned and attracts and retains enough competent employees and maintains internal as well as external consistencies etc. as discussed in the beginning of this section.

DETERMINATION OF WAGES AND SALARY IN OIL REFINING INDUSTRY

After a great deal of discussion on various issues related to fixation of wages and salaries and a thorough conceptual analysis, resulting in a sound theoretical framework, it seems apt to see and examine as to how far these principles and procedures have been put to practices as far as oil refining industry in general and Indian Oil Corporation in particular is concerned. Besides, an attempt would also be made to find out the ways in which pay scales, dearness allowance and other allowances are fixed in corporations and refineries of the said industry.

So far as the construction of initial wage structures are concerned they have generally been developed in a traditional style, where in subjective judgement and personal discretion were more pronounced than any kind of objective analysis and scientific evaluation. In the absence of any scientific approach towards wage fixation it was quite difficult to justify and give valid reasons for wage differentials if any. It was also difficult to fix up fair compensation commensurate with labour and skill required and difficulties as well as hazards involved. Once the pay scales, whatsoever and howsoever, came into existence payment were made accordingly. The first structure underwent several changes over time due to the directives and guidelines issued by the Bureau of Public Enterprises, growing strength of unionism and changed outlook of the
management, which could be possible due to increased awareness of the changing profile of the nation, economy, industry manager, workers and their unions and the society at large.

With the passage of time organizations of the workers came into existence. The workmen started demonstrating their power and strength under the auspices of different labour unions. Later on the Union representing the majority of the workers were granted recognition by the management of their respective refineries and corporations. The various recognised Unions assumed power to bargain with the management on behalf of the workers of their respective units. Since then they started bargaining both individually and collectively for various units on important issues. In case of Indian Oil Corporation Ltd. Collective bargaining is held at two levels. One at refinery level and the other one at corporation level. In the former case bargaining takes place between the local Union(s) recognised by the local management for this purpose and the refinery management. Under this kind of bargaining process generally local problems and minor issues are dealt with. In later case all the recognised unions of various refineries and pipelines Divisions joining together form one party where as Indian Oil Corporation at the Head quarter forms another party.

The various refineries and pipelines operating under IOC develop a charter of demands after considerable
discussions and deliberations both at the level of individual refineries and pipelines and also collectively in the meetings of joint consultation where in the charter is given a final shape. The charter of demands contains mainly the issues like scales of pay, dearness allowance and other allowances. These matters are settled through bargaining process in which representatives of workers as well as management take part. After a great deal of discussion on the issues and adopting the process of give and take where in various relevant factors like nature of jobs, cost of living, wage prevalent in the industry and regionwise wage rates, directives and guidelines issued by the Bureau of Public Enterprises etc are given full consideration. Only then the matter is settled and finally the agreement is signed by the parties. The agreement is generally signed for a period of three years. However, it continues to be in operation even after the expiry of the period until and unless agreement is signed afresh and put in operation. It remains open for the Union to submit a fresh charter of demands but not earlier than six months before the expiry of the present agreement.

The Corporation agrees to consider and initiate negotiations on the demands which may be received from the Unions, if they are received within the stipulated time. However, no demand which relates to the period covered by the present settlement shall be entertained.
The agreement regarding the scales of pay, dearness allowance and other allowances once reached continues to be in operation without any material change during the period of agreement and even sometimes after till new agreement comes into vogue. The scales of pay remain constant. The fixed dearness allowance and other allowances remain unchanged except the variable Dearness Allowance which keeps on changing in accordance with the change in the consumers price index (CPI) which is computed on the basis of changes in the prices of commodities over time taking the prices in a particular year as base.

The various grades of staff and officers and the scales of pay given to them at present have been decided and implemented through an agreement between the management of IOC at the Headquarters and the representatives of workmen from various refineries and pipelines division. The workmen have been defined here as per the definition given in I.D. Act, 1947. According to which a "Workman" means any person (including an apprentice) employed in any industry to do any skilled or unskilled, manual, supervisory, technical or clerical work for hire or reward, whether the terms of employment be expressed or implied.

The workmen have been classified into eight (8) grades whereas the officers have been divided and grouped into nine (9) grades. Their grades, scale of pay and some
typical designations are presented in the following table:

<table>
<thead>
<tr>
<th>Grade</th>
<th>Scale of Pay</th>
<th>Some typical Designation</th>
</tr>
</thead>
<tbody>
<tr>
<td>OFFICERS</td>
<td></td>
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<tr>
<td>I</td>
<td>Rs. 4000-125-4500</td>
<td>Chief General Manager (Pj)</td>
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<tr>
<td>H</td>
<td>Rs. 3500-100-4000</td>
<td>General Manager</td>
</tr>
<tr>
<td>G</td>
<td>Rs. 3000-100-3700</td>
<td>Dy. General Manager (Tech)</td>
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<td></td>
<td>Dy. General Manager (Genl)</td>
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<td></td>
<td></td>
<td>Addl. F.C./Dy. General Manager (P)</td>
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<tr>
<td>F</td>
<td>Rs. 2650-100-3450</td>
<td>Chief Personnel and Admn. Manager/Chief Production Manager</td>
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<tr>
<td></td>
<td></td>
<td>Chief/Finance Manager</td>
</tr>
<tr>
<td>E</td>
<td>Rs. 2350-100-3150</td>
<td>Sr. Personnel &amp; Admn. Manager/Sr. Technical Services Manager</td>
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<td></td>
<td>Sr. Production Manager/Sr. Production Manager/Sr. Materials</td>
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<tr>
<td></td>
<td></td>
<td>Manager/Sr. Finance Manager.</td>
</tr>
<tr>
<td>D</td>
<td>Rs. 2000-80-2880</td>
<td>Personnel Manager/Process Manager/P &amp; U Manager/Maintenance</td>
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<td></td>
<td></td>
<td>Manager/Material Manager/Finance Manager.</td>
</tr>
<tr>
<td>C</td>
<td>Rs. 1700-70-1980</td>
<td>Dy. Manager (P &amp; A) Process/Production/Maintenance/Elect./</td>
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<tr>
<td></td>
<td>75-2655</td>
<td>Instrumentation/Civil/Materials.</td>
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<tr>
<td>B</td>
<td>Rs. 1300-60-1840</td>
<td>Sr. P.O./Sr. Admin Officer/Sr. Process/Production/Mechanical/</td>
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<tr>
<td></td>
<td>70-2400</td>
<td>Electrical/Instrumentation/Civil Engineer/Sr. Materials</td>
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<td>Officer/Sr. Account Officer.</td>
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<tr>
<td>A</td>
<td>Rs. 1050-50-1750</td>
<td>Personnel/Admn. Officer/Process/Production/Mechanical/Electrical/Instrumentation/Civil Engineer/Sr. Materials Officer/Account Officer.</td>
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<tr>
<td></td>
<td>60-2110</td>
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<tr>
<td>Grade</td>
<td>Scale of pay</td>
<td>Some typical designations</td>
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<tr>
<td>STAFF</td>
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<tr>
<td>I</td>
<td>Rs.421-11-542-12-710</td>
<td>Messenger, Watchman, Sweeper, Cleaner, General Helper, Bus Conductor, Sharmik.</td>
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<tr>
<td>II</td>
<td>Rs.430-11-540-13-748</td>
<td>Head Jamadar, Yardman.</td>
</tr>
<tr>
<td>IV</td>
<td>Rs.505-14-659-16-899</td>
<td>Typist/Clerk, Tracer, Telephone Operator, Driver, Compounder, Operator 'D', Technician Grade IV.</td>
</tr>
<tr>
<td>VIII</td>
<td>Rs.700-30-1000-36-1144-45-1459-50-1659</td>
<td>Superintendent, Private Secretary Gr. II, Accountant.</td>
</tr>
</tbody>
</table>

**DEARNESS ALLOWANCE**

The dearness allowance payable to officers of the Corporation has been fixed at Rs.477/- as on 1.8.82 related to AICPI-459 (Simla Series 1960-100).

---

29. Handbook of Rules & Regulation, IOC, R&P Division, New Delhi, pp.3-5.
The variation in the quantum of Dearness Allowance payable to officers will be in accordance with the Rs.1.30/CP/neutralisation formula to be adjusted quarterly on the basis of the six monthly average of CPI as indicated below:

<table>
<thead>
<tr>
<th>Effective Data</th>
<th>Six monthly CPI average relating to the months (Previous)</th>
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<tbody>
<tr>
<td>January to March</td>
<td>April to September</td>
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<td>April to June</td>
<td>July to December</td>
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<td>July to September</td>
<td>October to March</td>
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<tr>
<td>October to December</td>
<td>January to June</td>
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</tbody>
</table>

The D.A. admissible to officers as on 1.1.85 was Rs.629.10.

There is a fixed D.A. payable to staff in different pay ranges. This fixed D.A. is linked to the All India working class consumer Price Index Number 352 (Simla Series with base year 1960=100). The fixed DA applicable to the different pay ranges is as follows:

<table>
<thead>
<tr>
<th>Pay range</th>
<th>(Fixed) Dearness Allowance for workmen of Gauhati, Gujrat, Haldia, Mathura refineries, Hqrs, Calcutta, Bombay Offices and KAPL, HMRB, MJPL &amp; SMPL</th>
<th>(For workmen of Barauni Refinery, GSPL &amp; BKPL)</th>
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<tbody>
<tr>
<td>Upto 499</td>
<td>179.60</td>
<td>140</td>
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<td>500-505</td>
<td>199.60</td>
<td>160</td>
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<tr>
<td>506-519</td>
<td>224.60</td>
<td>185</td>
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<table>
<thead>
<tr>
<th>Variable Dearness Allowance</th>
<th>229.60</th>
<th>234.60</th>
<th>239.60</th>
<th>244.60</th>
<th>254.60</th>
<th>264.60</th>
<th>269.60</th>
<th>279.60</th>
<th>284.60</th>
<th>299.60</th>
<th>309.60</th>
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**VARIABLE DEARNESS ALLOWANCE**

(a) Variable Dearness Allowance for the workmen Gauhati, Gujrat, Haldia and Mathura refineries, Calcutta R & P quarters, Pipelines Hqrs, Chairman's Office, R & D Centre, HMRB-PL-SMPL-KAPL & MJPL.

In addition to the fixed DA for every full point decrease or increase in the quarterly average or CPI beyond 352, variable Dearness Allowance is increased/decreased @ Rs.1.30 per point. The rate of VDA was Rs.304.20 as on 31.1.85.

(b) Variable DA for the workmen of Barauni, Gauhati, Siliguri Pipelines and Barauni-Kanpur Pipelines.
In addition to fixed D.A., for any increase/decrease in the quarterly average of CPI by 3 full points, variable Dearness allowance is increased/decreased by 2.5% of basic pay subject to a maximum of Rs.5/-. The rate of DA was Rs. 390.00 as on 31.1.1985.  

Apart from these there are several allowances applicable to officers and staff of the corporation which will be considered under the caption of Fringe benefits.

**WAGE AND SALARY IN CRL**

CRL constructed its wage structure after considering various important factors such as nature of the job, degree of skills required for effective performance of the job, hazards involved, the conditions under which the job has to be performed and the wages prevailing in the region etc. The initial wage structure has undergone a lot of alterations as a result of various long term settlements between the management and the Employees Association. The present wage structure also depends on mutual agreement under which the scales of pay for the workmen are divided into six grades.

Besides these grade of pay scales there are various allowances attached to them. For example, Dearness Allowance, Additional Dearness Allowance and other allowances. The wage

structure of CRL compares very favourably with other companies regionwise as well as Industrywise. This is justified because of the high productivity of the company.

CRL has adopted a time-rate system of wage calculation which is paid on monthly basis. The policy adopted by CRL is one of "No work no pay". The salary is based strictly on the time-worked. For this purpose, the smallest unit of time counted is half an hour. The wage rate which is obtained by dividing the basic wage by the number of normal working hours, is multiplied by the total hours worked to get the monthly wage. The various allowances and deductions are added to this to get the salary of the month.

The records used for the purpose of ascertaining the number of hours worked are mainly the signing in and signing out sheets signed by the employees themselves and the time-sheets prepared by the Departmental Heads. These documents are forwarded to the pay-roll section. In addition to these documents pay-roll section also receives the overtime sheets and the various allowances and deduction sheets. After checking and cross-checking, the data are fed into the computer which punches out the pay-roll statement of each employee.

A notable feature of the CRL pay-roll system is the facility for the calculation of the cost of each work done in CRL. The duration of work done on each work-order by
each employee can be ascertained from the time sheets analysis. This facilitates work-order costing, work-order budgeting and work order analysis and control. Besides the productive work-orders there is non-productive work order and one loss-of-pay work-order. The former is for authorized paid leave and the latter for the loss of pay leave. These two combined together reveal absenteeism.

The procedures described in the foregoing paragraphs are meant for the calculation of wages of the workmen. The salary of the supervisory and managerial staff is not governed by any of the time-sheets. They are presumed to work as long as the work remains unfinished. They have full responsibility to ensure that the work is finished. They may have to work-over-time without any additional payment. Similarly they may take time-off without any deductions in their salary.

**DEARNESS ALLOWANCE**

As a result of third long-term settlement dearness allowance in CRL is linked with All India Consumer Price Index Simla series (1960=100). DA is calculated at the rate of Rs.1.30 per point for the excess of the CPI average of over 200 points. This is calculated on quarterly basis. For supervisory staff the same is applicable subject to the condition that basic pay and DA does not exceed to a certain level per month.
In other refineries also wage policy and practices have been found to be similar if not identical hence, whatever has been discussed till now can safely be generalised to other refineries and applicable to them to a considerable extent.

FRINGE BENEFITS

Fringe benefits in their present form sprang as offshoots of industrial wage system the history of which can be traced since the second world war. In the United Kingdom fringe benefits germinated as the by-products of industrial revolutions. In fact, there were many forces which pushed them forward in the U.K. and elsewhere in the world. These forces were:
(a) Social attitude of the employers;
(b) Wave of moral pangs and socio-economic philosophers;
(c) Social welfare legislations in Europe;
(d) American Trade Unions;
(e) International Labour Organization;
(f) Managerial Revolution;
(g) Behavioural Scientists Researches; and
(h) The concern of under-developed countries.

CONCEPTS AND SCOPE;

Commonly speaking the term "benefit" describes benefits and services other than wages, salaries and allowances offered by the employer to the employee as "Fringe". But this approach is not without apposition and
different people have different viewpoints. Some defined benefits as "welfare expenses", others as "Wage Supplements", still others as "Sub-Wages" or "Social Charges". The ILO describes it as under:

Wages are often augmented by special cash benefits, by the provision of medical and other services, by payments in kind that form a part of the wages for expenditure on the goods and services. In addition workers commonly receive such benefits as holidays with pay, low-cost meals, low cost housing etc. Such additions to the wage proper are sometimes that referred to as fringe benefits. Benefits have no relations to employment or wages should not be regarded as fringe benefits, even though they may constitute a significant part of the worker's total income. 31

If a workable definition has to be developed which may suit both the employees and to the employer and may reflect not only the benefits employees receive but also the extent to which they get them, we have to define as under:

Fringe benefits are those benefits and services which materially augment the welfare of the employees either during the period of their services or even after their retirement. Hence, we have to include within the scope of

31. ILO: International comparison of Real wages.
the fringe benefits, the following items:

(i) Payments for the time not worked;
(ii) Profit and other bonuses;
(iii) Legality required payments on statutory social security schemes;
(iv) Workmen compensation;
(v) Welfare cess;
(vi) Contributions made by the employers under voluntary schemes like (a) post-retirement benefit (b) medical (c) educational (d) cultural (e) recreational contributions.
(vii) Monetary benefits equivalent of free light, water and fuel etc.
(viii) Subsidised housing and similar services. 32

Thus we find that one can not prepare an exhaustive list of fringe benefits. Moreover, it is really very difficult to distinguish and demarcate between the terms like fringe benefits, labour welfare amenities and employee services etc.

FRINGE BENEFITS IN IOC

Various kinds of benefits provided by Indian Oil Corporation to its employees are as under:

(a) City Compensatory Allowance is payable on pay as given below:

<table>
<thead>
<tr>
<th>Class of City</th>
<th>Basic pay per month</th>
<th>Rate of Allowance</th>
</tr>
</thead>
<tbody>
<tr>
<td>'A'</td>
<td>All pay ranges</td>
<td>8% of the basic pay subject to a maximum Rs.75/- per month.</td>
</tr>
<tr>
<td>'B-1'</td>
<td>Below Rs.250/-</td>
<td>7.5% of the basic pay subject to a minimum of Rs.6 and a maximum of Rs.15/- per month.</td>
</tr>
<tr>
<td></td>
<td>Rs.250/- and above</td>
<td>6% of the basic pay subject to a minimum of Rs.15/- and maximum of Rs.50/- per month.</td>
</tr>
<tr>
<td>'B-2'</td>
<td>Below Rs.750/-</td>
<td>3.5% with a maximum of Rs.10/- per month.</td>
</tr>
<tr>
<td></td>
<td>Rs.750/- and above</td>
<td>Amount by which the basic pay falls short of Rs.759/-</td>
</tr>
<tr>
<td>'C'</td>
<td>Nil</td>
<td></td>
</tr>
</tbody>
</table>

(b) House Rent Allowance (HRA)

House rent permissible for metropolitan cities like, Delhi, Bombay, Calcutta and Madras is 30% of the basic pay while for various classes of city such as 'A', 'B-1', 'B-2' and 'C' it varies between 25% to 15% of basic pay. No receipt is required if the claim of HRA does not exceed Rs.275/- Rs.230/- and Rs.170/- for 'A', 'B-1' and 'B-2' class cities respectively. Officers staying in the vicinity of refinery are entitled to HRA to the extent of 15% of pay.
subject to the production of rent receipt. Employees staying in the villages are also entitled for HRA at a given rate.

(c) **House Rent Subsidy**: Officers staying in unclassified towns or villages not in a position to produce House Rent receipt are entitled to draw HRS at the rate of 7% of pay subject to a maximum of Rs.70/- per month (w.e.f. 1.1.82).

Workmen living in Gauhati and Baroda can either draw HRS or HRA at the rate applicable as per classifications of town/city. This option is allowed to workmen on individual basis provided they are otherwise entitled to HRA.

Workmen living in villages in the vicinity of Refineries or pipelines establishments, pumping stations or those living at places other than classified cities shall be entitled to HRS at the rate of 10% of their basic pay subject to a minimum of Rs.50/- and a maximum of Rs.120/- per month.

(d) **Shift Allowance**: A workman who has to work in rotating shifts is paid shift allowance at the rate of Rs.2.5 per shift. Officers who are required to work on rotating shifts are also eligible for payments of shift allowance @ Rs.4/- per shift.

(e) **Washing Allowance**: Workmen who have been provided with uniform are paid washing allowance @ Rs.14/- per month. This is Rs.25/- in case of officers.
(f) **Free Tea/Tea Allowance**: In lieu of free tea, tea allowance is paid to the workmen and officers @ Rs.20/- and Rs.25/- respectively at all locations where subsidised canteen facilities are available and Rs.30/- and Rs.35/- where facilities do not exist.

(g) **Special Allowance**: Non-Officer employees working 48 hours per week are paid special allowance @ Rs.200/- per month.

(h) **Patrolling Allowance**: 'E' Operators engaged in patrolling are entitled for patrolling allowance @ Rs.200/- per month.

(i) **Cash Handling Allowance**: Accounts Assistant, Senior Accounts Clerks, Jr. Account Clerks, required to handle cash on regular basis will be paid CHA @ Rs.10/-, Rs.20/-, Rs.30/-, Rs.40/- and Rs.50/- per month for handling cash up to Rs.4000/-, 4001/-, 20000/-, Rs.20001/-, to Rs.50,000/- Rs.50001/-, to Rs.1,00,000 and over Rs.1,00,000 respectively.

(j) **Tanker Allowance**: Tanker allowance @ Rs.25/- for every block 12 hours continuous duty is available to officers attending tanker discharge at the jetty and subject to certain conditions.

(k) **Refreshment Allowance**: This allowance will be payable to officers whose normal working hours are 48 in a week and who are attending tanker discharge at the end of jetty, working at the refinery units and pipelines installations when called upon to attend duty continuously for 12 hours.
or more. The rate of this allowance shall be Rs.15/- per meal.

(k) **Conveyance Allowance to Blind & Handicapped Employees**

Orthopaedically handicapped employees with the minimum prescribed disability and who generally require physical assistance for going to and coming from the place of their duty or regular employees who are blind will be granted a conveyance allowance of Rs.75/- p.m. This is inclusive of Rs.20/- p.m. allowed to workmen towards transport expenses.

(l) **Compensatory Hill-cum-Winter-Allowance**: Compensatory Hill-Cum-Winter-Allowance will be payable to the officers of the corporation posted for locations which are at an (above sea level) altitude of 1500 meters or above for a period of six months from October to March every year at a flat rate of Rs.150/- p.m.

(m) **Non-Practising Allowance**: A non-practising allowance is payable to company's Medical Officers in lieu of private practice. The rates of NPA will be Rs.450/-, Rs.500/-, Rs.550/- and Rs.600/- p.m. for Grades 'A', 'B', 'C', 'D' and above respectively.

(n) **Heavy Equipment Allowance**: It is paid at the rate of Rs.15/- per day to the drivers in the pipelines for operating heavy equipments.
(o) **Travelling Allowance:** Employees of the company for the purpose of journey on official duty can travel by classes as mentioned below:

**Grade I:**

Employees in Grade 'D' and above  
Airconditioned/Air

**Grade II:**

Employees drawing basic pay of Rs. 700/- and above in the scale below that of Grade 'D'  
First class by Train

**Grade III:**

Employees drawing basic pay below Rs. 700/-  
Second class by Train

**DAILY ALLOWANCE**

(a) Daily Allowance is payable to an employee if he undertakes a journey beyond a radius of 8 kms on tour and the period of absence from his headquarters exceeds 6 consecutive hours during the day. If absence from the headquarters is for more than 6 hours but does not exceed 12 hours half DA is payable. But where absence exceeds 12 hours, full daily allowance is payable.

(b) The rates of daily allowance for 'A' class cities varies between Rs. 80/- to Rs. 100/- for officers drawing Rs. 1600/- to above than Rs. 2300/- and for non-officers between Rs. 35/- to 55/- for employees drawing less than Rs. 480/- to more than Rs. 740/-. Officers and non-officer supervisory staff are also entitled for compensation for performing additional/extended duties as per rules.
(c) The variation in rates for daily allowance at all other locations would be between Rs.70/- to Rs.90/- and between Rs.30/- to Rs.45/- respectively.

(d) For journeys at halting places, the conveyance charges actually incurred are reimbursed subject to certain limits.

(p-a) Settling Allowance: In case of transfer, settling allowance to the extent of one month's salary (Basic + DA + NPA wherever applicable) subject to a minimum of Rs.1500/- and a maximum of Rs.3000/- is payable in case of officers and for non-officers 30 days salary subject to a minimum of Rs.750/- and a maximum of Rs.1250/-.  

(p-b) Displacement Allowance: An amount equal to daily allowance at the rate admissible, while on tour to the station to which an employee (officer or non-officer) is under transfer, is payable for a period of 30 days.

(p-c) Transit Allowance: Payable at the applicable rate for the employee and entitled members of his family if the travel is undertaken by rail for the duration of rail travel only. The payment is @ 50% of the normal rate in case of children with half ticket.

Apart from these allowances concerning travelling, allowance for transporting goods, leading and un-loading charges, insurance charges for household, charges for excess
baggage are also paid on prescribed rates. In case of local transfer involving change in residence transfer settling allowance & transportation expenditure for personal effects are also available to the officers and non-officers at prescribed rates with minimum and maximum limits.

**LEAVE TRAVEL CONCESSION**

Leave Travel Concession is available to all employees and their family members as defined in the LTC Rules on completion of one year's continuous service on the date of journey. It is allowed once in a period of two years from Head quarters to Home Town and Vice-versa. The concession which is not availed during the block years may be availed in the first year of the next block.

Officers and their families, in any given block period of two years, have the option of availing of LTC for any place in India in lieu of home town. A non-officer has the option in the alternate blocks to visit any place in India in lieu of Home Town.

LTC is admissible to an employee during regular or casual leave without any minimum limit on the leave to be taken.

Non-Officers have the option either to avail of LTC or claim lump sum payment in lieu of LTC. The extent of encashment would be 65% of 1st Class train fare and 75%.
of train fare by second class for a maximum of 3000 kms on round trip. Officers can get cash in lieu of LTC to the extent of 65% of train fare by 1st class for a distance of 2500 Kms each way.

INCENTIVE FOR ACQUIRING ADDITIONAL QUALIFICATION

The company provides incentives by way of one time lump sum payment of Rs.2500/- for group 'A' qualification and Rs.1000/- for acquiring group 'B' additional qualification in the relevant areas of their activities.

Group 'A' qualifications include BE/AMIE/AMICE/AMHM ICWA, M.B.A. etc and group 'B' includes Diploma in Engg. 1st class Boiler Proficiency Certificate and Master in Social work.

LONG SERVICE AWARDS

The corporation gives a long service award to its regular employees on rendering good and satisfactory service. For rendering 20 years of good and satisfactory service a wrist watch subject to the maximum cost not exceeding Rs.500/-. Award to be given on Superannuation after rendering a minimum of 10 years of good and satisfactory service can be any article(s) as per the choice of the employee subject to the maximum cost not exceeding to Rs.1500/-. 
LEAVE:

The following types of leave are admissible to the employees of Indian Oil Corporation:

(i) **Earned Leave**: Employees are entitled for Earned Leave with full pay and allowances at the rate of 8 days for each completed quarter, 3/4 of which is encashable and 1/4 non-encashable. The maximum Earned leave that can be accumulated is upto 180 days.

(ii) **Special Earned Leave**: Teaching and non-teaching vacation staff of departmentally run and managed schools are entitled to spl. Earned Leave @ 5 days per year which can be accumulated upto 30 days and is not encashable.

(iii) **Maternity Leave**: Female employees are allowed maternity leave for a period of 3 months and for 6 weeks in case of miscarriage or abortion on the basis of Medical Certificate.

(vi) **Sick Leave**: 20 days sick leave on half pay is allowed for each completed years of service. This can be accumulated into full pay leave for 240 days in entire service.

(v) **Casual Leave**: Casual Leave is permissible for 10 days in a calendar year, which will lapse at the end of year if not availed. This leave can be combined with other kinds of leave.
Apart from leaves mentioned above the following leaves are also permissible to the employees of the corporation.

(vi) **Special Casual Leave**: Special sick leave, special leave for serious and prolonged sickness, extra ordinary leave without pay, study leave without, pay, Leave not due, Special leave without pay for female employees. Special compensatory off to officers, Compensatory off to workmen, Disability leave and special leave to Drivers.

**FRINGE BENEFITS IN CRL:**

CRL management is seriously interested in the well-being of its employees and is willing to assist them in finding out the solutions of their personal problems. The company has a policy of helping employees to keep their mind and soul together. There are a number of facilities and programmes in CRL which may be grouped as "Employee services". CRL does not lag behind in any of these respects. The various kinds of benefits available to CRL employees are as under:

(i) **House Rent**: Workmen getting pay scales in the first three grades who are occupying company's quarters pay house rent @ 7.5% of their basic pay. All others pay house rent at the rate of 10% which is subject to the ceiling rent applicable for each type of house.

(ii) **House Rent Assistance**: Workmen who could not be allotted company's quarter are eligible for House Rent Assistance.
Such workmen are reimbursed rent paid by them in excess of 10% of their basic pay up to 15%. Upto a certain limit the workmen does not have to produce house rent certificate but any claim beyond that limit must be supported by a rent receipt and the workman has to bear the first 10% of basic so that the total HRA will be limited to 25% of the basic pay:

(III) **House Building Loan**: As per third long term settlement signed in 1977, the company was to constitute a House Building Fund, out of which Rs 15 lakh was to be set aside to be advanced as loan to the workmen. Grant of Loan is governed by such rules and regulations framed by the company from time to time.

(IV) **Vehicle Loan Facility**: The company has established a scheme to advance loans at the rate of 6.5% simple interest to employees for purchasing cars/Scooters for their personal use. An amount up to 90% of the value of the vehicle or 12 times the pay whichever is lesser can be availed for such purchases. All supervisors and managers are eligible for motor car loans and all workmen for scooter loan. The loan is repayable in 48 and 60 equal monthly instalments for scooters and cars respectively. The interest can be paid within one year after the expiry of the instalment period in both the cases.

(V) **Conveyance Allowance**: In addition to the loan for purchase of vehicle, the supervisors and the managers are
also provided with conveyance allowance amounting to Rs 200/- for cars and Rs 100/- for scooters.

(VI) Leave Facilities: The company gives nine paid holidays in a year. Thirteen casual/sick leave are also allowed. Workmen can carry 6 days leave out of this thirteen days to his Casual Cum-Sick leave accumulation, if he so desires, upto a maximum of 56 days which can be utilised in the event of prolonged sickness. 30 days of privilege leave in a year is also allowed to each employee. This leave can be carried forward upto 60 days, so that accumulation at any time will not exceed to 90 days. Special leave with pay are also granted to every workman for educational assistance, training and family planning etc.

(VII) Leave Travel Assistance: Employees and their immediate dependents are entitled to reimbursement of train/bus fare upto 500 kms round trip once in a block of two years. The fare is limited to four tickets. Workmen upto VI Grade of pay Scale are entitled for Second class and above that for Ist Class.

(VIII) Home Travel Concession: Home Travel concession as applicable to Central Government employees is also available to the employees of CRL. However, it is open only to the employees who do not avail of leave Travel Assistance in a block of two years.

(IX) Uniforms: The company supplies uniforms to the security Staff, drivers, janitors, Medical staff, canteen staff and mail messengers etc. free of cost.
Wage and salary administration is one of the most important operative functions of personnel management. This concerns with the problem of how much the employees are paid in return of their services rendered to the organization, the solution of which generally lies on the thorough analysis of all those factors which affect such remuneration. 'Wages' have been defined as the aggregate earnings of an employee for a given period of time such as a day or a week and are equal to the product of a piece rate times the number of pieces or an hourly rate times the number of hours plus any premium or bonus earned. While 'salary' is compensation to an employee for personal services rendered on a weekly, monthly or annual basis.

There are two types of wages; nominal wage and real wage. With respect to their social purposes wages can also be classified as minimum wage, living wage and fair wage. Methods adopted for the payment of wages could be time rate or piece rate. The basic principles of wage payment consider several factors as influencers while determining the wages. These factors are: labour legislations, labour market, geographical location, cost of living index, wage level, ability to pay, productivity, attraction and retention of employees and collective bargaining.
Employees in general are interested in internal as well as external consistency in the payment of wages. External consistency implies that wages are paid equally for the same kinds of job to all the workers performing similar jobs in the same industry operating in the same region. While internal consistency wants to achieve equality in payment for similar jobs within the organization. As far as external consistency is concerned it would be achieved through wage surveys where as the maintenance of internal consistency requires a thorough job analysis and job evaluation. Broadly speaking there are two methods of job evaluation and each of them have two off-shoots. They are qualitative and quantitative methods. Under the former method we have simple ranking and grading/job classification methods and under the latter we have the point system and the factor comparison system.

So far the question of wage and salary determination related policies in various refineries are concerned initially it was done arbitrarily but with the origin and growth of labour unions, their registration and recognition most of the contractual issues are settled through mutual negotiations and collective bargaining. While entering into agreements they try to take into consideration all those factors which are necessary to maintain external as well as internal consistency in the payment of wage, though they never undertook the comprehensive job evaluation exercises.
By the agreement currently in operation IOC, the biggest Oil Corporation has classified its workmen into eight grades (I to VIII) whereas officers have been put into nine grades 'A' to I. Their scales of pay vary between Rs.1050-50-1750-60-2110 for 'A' grade to Rs.4000-125-4500 for I grade in case of officers. For workmen the scales of pay vary between Rs.421-11-542-710 for grade I to Rs.700-30-1000-36-1144-45-1459-50-1659 for grade VIII.

Apart from scales of pay they are also paid various types of allowances such as DA, ADA or variable dearness allowance etc. They are paid other kinds of allowances under fringe benefits. These benefits include city compensatory allowance, house rent allowance, house rent subsidy, shift allowance, washing allowance, free tea/tea allowance, special allowance, patrolling allowance, cash handling allowance, tanker allowance, refreshment allowance, conveyance to blind and handicapped employees, compensatory Mill-cum-Winter allowance, non-practising allowance, heavy equipment allowance, travelling allowance, daily allowance, displacement allowance, transit allowance and settling allowance. They also avail leave travel concession, incentive for acquiring additional qualifications, long service awards, various kinds and types of leaves like CL, EL, SEL, sick, maternity, special casual leave etc.
Cochin and other refineries are also following more or less the same pattern. Refineries in general are considered to be the good pay masters. They are in a position to provide various types of fringe benefits and incentives to their workmen which many other organization cannot. They can afford and are in a better position to maintain and even improve renumerations and compensation to their employees because they are making huge profits and profit wise they are somewhere (within five) on the top among all Indian industries.