

# MODEL QUESTION PAPER

BBA - III year

**Subject Name: 311H-Wage and Salary Administration**

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## Q1. Difference between wages and salary?

Ans. Following are the major differences between salary and wages:

1. Salary is the fixed amount of compensation which is paid for the performance of an employee. Wage is the variable amount of compensation which is paid on the basis of hours spent in finishing a certain amount of work.
2. Salary is given to the skilled persons who apply their proficiencies in respective fields and generate the revenues for the firm. Whereas wages are paid to the semi-skilled or unskilled worker such as carpenter, welder, electrician, etc. who work on hourly basis.
3. In the case of salary, the cost incurred is fixed i.e. fixed amount is paid monthly. Whereas in wages, the cost is variable, because it can vary with the day to day performance of an individual.
4. Salary once decided, in the beginning, remains fixed throughout. Whereas in wage system, there is a wage rate that keeps on changing and an individual is paid on the basis of prevailing wage rate.
5. Salary is generally paid at fixed intervals i.e. monthly. Whereas wages are paid on a daily basis for the number of hours spent.
6. Salary is paid on the basis of the performance of an individual. Whereas wages are paid on hourly basis i.e. the amount of work done in hours.
7. Salary is paid to employees who possess the skills and efficiencies in completing the office work. Whereas wages are paid to the labours, who are engaged in manufacturing processes and do the work on an hourly basis.
8. Salary is given to those who are engaged in administrative or office work job. Whereas wages are paid to those, who are engaged in manufacturing processes that require unskilled or semi-skilled workers.
9. A salaried person usually has KRA i.e. key resultant area set for the month on the basis of which their performance is judged. Whereas the waged person does not have any KRA and is judged on the basis of hourly work done.

10. Salaried persons are not paid additional compensation for any extra hours. Whereas wage holder does get an additional pay for the extra hours devoted by him.

**Q2. What are the principles of good wage system?**

Ans. An ideal system of wage payment should possess the following characteristics:

(i) **Simplicity**: The wage system should be easy to understand and simple to operate. A complex system may lead to strikes and agitations and may be a hindrance to a harmonious employer-employee relationship.

(ii) **Fair to Employer and Employee**: The system should be satisfactory from the point of view of both employer and employees. In other words, the reward to the employee should be fair and must give low cost per unit to the employer.

(iii) **Guaranteed minimum wage**: The system should guarantee a minimum wage to every worker irrespective of the work done by them.

(iv) **Incentive to work**: The system should provide adequate incentives to workers to work hard with great care. Efficient workers should be able to earn more wages as compared to the inefficient workers.

(v) **Quality output**: The system should encourage the workers not only to increase the quantum of output but also to improve the quality of output.

(vi) **Certainty**: The system should not have any element of uncertainty or ambiguity.

(vii) **Distinction between skilled and unskilled worker**: The system should distinguish between skilled and unskilled workers. Skilled workers should be compensated for the efforts put in by them to acquire the skill.

(viii) **Uniformity**: The system should be common in the same local industry.

(ix) **Conformity with local and national labour laws**: The system should conform with various labour laws and regulations both local and national.

(x) **Minimisation of labour turnover**: The system should minimise turnover, absenteeism and late attendance.

(xi) **Adjustment to price changes**: The system should invariably contain provision for automatic rise in wages as cost of living index increases.

(xii) **Flexibility**: The system should incorporate flexibility to adjust with changing circumstances of the business.

### Q3. What are the factors affecting wages?

Ans. Factors affecting wage structure are:

- 1. The organization's ability to pay:** Wage increases should be given by those organizations which can afford them. Companies that have good sales and therefore high profits tend to pay higher wages than those which are running at a loss or earning low profits because of the high cost of production or low sales.
- 2. Supply and demand of labour:** If the demand and certain skills are high and the supply is low the result is rise in the price to be paid for these skills. The other alternative is to pay higher wages if the labour supply is scarce and lower wages when it is excessive.
- 3. The cost of living:** When the cost of living increases, workers and trade unions demand adjusted wages to offset the erosion of real wages. However when living costs are stable or decline the management does not resort with this argument as a reason for wage reduction.
- 4. The living wage:** Employers feel that the level of living prescribed in workers budget is opened to argument since it is based on subjective opinion.
- 5. Job requirements:** Jobs are graded according to the relative skill responsibility and job conditions required.
- 6. Trade unions bargaining power:** Trade unions do affect the rate of wages. Generally the stronger and more powerful trade union, higher the wages.
- 7. Productivity:** Productivity is another criterion and is measured in terms of output man-hour. It is not due to labour efforts alone. Technological improvements, greater ingenuity and skill by the labour are all responsible for the increase in productivity.
- 8. Prevailing market rate:** This is also known as comparable wages' or 'going wage rate'. Reason behind this is competition demand that competitors adhere to the same relative wage level.
- 9. Skill levels available in the market:** With the rapid growth of industries, business trade there is shortage of skilled resources. The technological development, automation has been affecting the skilled levels at a faster rate.
- 10. Psychological and social factors:** This determine in a significant measure how hard a person will work for the compensation received or what pressures he will exert to get his compensation increased.

#### **Q4. What are the various components of wages?**

**Ans.** Components of Employee Remuneration are:

**1. Wages and salary:** Wages represent hourly rates of pay, and salary refers to the monthly rate of pay, irrespective of the number of hours put in by the employee. Wages and salaries are subject to the annual increments. They differ from employee to employee, and depend upon the nature of job, seniority, and merit.

**2. Incentives:** Incentives are paid in addition to wages and salaries and are also called payments by results. Incentives depend upon productivity, sales, profit, or cost reduction efforts. There are: (a) Individual incentive schemes, and (b) Group incentive programmes. Individual incentives are applicable to specific employee performance. Where a given task demands group efforts for completion, incentives are paid to the group as a whole. The amount is later divided among group members on an equitable basis.

**3. Fringe benefits:** These are monetary benefits provided to employees. They include the benefit of: (a) Provident fund, (b) Gratuity, (c) Medical care, (d) Hospitalization payment, (e) Accident relief, (f) Health and Group insurance, (g) Subsidized canteen facilities, (h) Recreational facilities, and (i) Provision of uniforms to employees.

**4. Perquisites:** There are special benefits offered to managers/executives. The purpose is to retain competent executives. Perquisites include the following: (a) Company car for traveling, (b) Club membership, (c) Paid holidays, (d) Furnished house or accommodation, (e) Stock option schemes, etc.

**5. Non-monetary benefits:** These benefits give psychological satisfaction to employees even when financial benefit is not available. Such benefits are: (a) Recognition of merit through certificate, etc. (b) Offering challenging job responsibilities, (c) Promoting growth prospects, (d) Comfortable working conditions, (e) Competent supervision, and (f) Job sharing and flexi-time.