



Wages and Salary Administration: **An empirical study of Cbits technologies, Chandigarh**

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Abstract

Wages and salary administration is the group of activities involved in the development, implementation and maintenance of a pay system. Wage is monetary compensation paid by an employer to an employee in exchange for work done. Payment may be calculated as a fixed amount for each task completed or at an hourly or daily rate. A salary is a form of periodic payment from an employer to an employee, which may be specified in an employment contract. Salary is a fixed amount of money or compensation paid to an employee by an employer in return of work performed. Wage and salary administration includes allowances, leave facilities, housing, travel etc and non cost rewards such as recognition, privileges and symbol of status. Wage occupies an important place in the life of an employee. The present study in CBits Technologies Chandigarh study of wage and salaries administration helps to know whether the employees are rightly compensated for their work. It also helps to know whether the employees are satisfied with their wages and salaries. It is also important to know whether the company is following the right pay scale. To know various allowance, like washing allowance, stitching allowance, city compensatory allowance, perks allowance etc.

Keywords: Pay system, Monetary compensation, Employment contract, Allowance



1. Introduction

Wage is monetary compensation paid by an employer to an employee in exchange for work done. Payment may be calculated as a fixed amount for each task completed or at an hourly or daily rate. Wages also refers to the hourly rate paid to such groups such as production and maintenance.

A salary is a form of periodic payment from an employer to an employee, which may be specified in an employment contract. Salary is a fixed amount of money or compensation paid to an employee by an employer in return of work performed. Salary is commonly paid in fixed intervals, for example, monthly payments of one-twelfth of the annual salary.

Administration is inevitable because where policies or decision are made, they must be applied. Administration is the organization and direction of resources both human and material for the accomplishment of specific goal. Individual now tend to define administration from their personal.

Wages and salary administration is the group of activities involved in the development, implementation and maintenance of a pay system.

Wage and salary administration is the process of compensating an organization's employees in accordance with accepted policy and procedures. An important component of a successful organization's policy for administering salaries and wages is monitoring and evaluating all employees' compensation to ensure that they're being paid appropriately, both with respect to others in the same organization and to the marketplace as a whole. This process is often an integral function of the organization's human resources department, but in general, the larger the organization, the more likely is that it will be handled by a separate department.

Wages and salaries paid in various ways, including goods or services provided to employees for remuneration in kind instead of or in addition to, remuneration in cash.

Wages and salaries in cash consists of wages or salaries payable at regular weekly, monthly or other intervals, including payments by results and piecework payments, plus allowances such as



those for working overtime, plus amount paid to employees away from work for short periods(e.g. on holiday) , plus commissions, gratuities and tips received by employees.

“Wage and salary” is a practical study performance of a company practically adopted. Wage and salaries for a particular employee or employer depends upon the various factors like his grade, position, qualifications, place (urban, rural etc), inflation, type of organization, industry, etc. Per-capita income of a country is calculated upon the wage or salaries of an individual. Wage is the compensation of an employee receives in return for his or her contribution to the organization.

Wage and salary administration includes allowances, leave facilities, housing, travel etc and non cost rewards such as recognition, privileges and symbol of status. Wage occupies an important place in the life of an employee. His or her standard of living, status in the society, motivation, loyalty and productivity depend upon the wage he or she receives. For the employer too, employee wage is significant because of its contribution to the cost of production. For HRM too, employee wage is a major function. The HR specialist has a difficult task of fixing wages and wage differentials acceptable to employees and their leaders.

A paper by Lawal (2006) states that there are some factors, influence of trade union, prevailing salaries and wages in the industries, government legislation, the labor market, organization ability to pay, productivity level. Mohammed (2005) reviewed that the function of salaries and wages administration varies from one country to another and among states in the federal organization. The main functional responsibility of salaries and wages administration is to attract capable, competent and qualified employee into the organization and to motivate worker into greater and effective performance and to ensure the continued dedication, commitment and retention of workers in an organization. Dagget (2004) argued that workers cannot obtain financial job satisfaction unless the organization achieved its goals. Obikeze et.al (2003) pointed out, salaries or wages are the reward that individuals receive from organization in exchange for their labour and that every organization has its distinct salary system. Stoner et.al (2002) considers a new pay approach as an approach towards salary system that every good compensation or salary policy is aimed at attracting, retaining and motivating high quality employees in an organization. David W. (1974) calculated about the compensation policies, practices and problems is the exchange transaction between the organization and employee in



which each gets something and gives something. He completely tells us about the compensation models, contributions, rewards. Lawer Edward E (1972) ha center of attention on the psychological issues concerned with pay as; the importance of pay, the facility of pay to stimulate employees, satisfaction with pay.

Principles of wage and salary administration:

- a) **External equity:** This principle acknowledges that factors/variables external to organisation influence levels of compensation in an organisation. These variables are such as demand and supply of labour, the market rate, etc. If these variables are not kept into consideration while fixing wage and salary levels, these may be insufficient to attract and retain employees in the organisation. The principles of external equity ensure that jobs are fairly compensated in comparison to similar jobs in the labour market.
- b) **Internal equity:** Organisations have various jobs which are relative in value term. In other words, the values of various jobs in an organisation are comparative. Within your own Department, pay levels of the teachers (professor, reader and lecturer) are different as per the perceived or real differences between the values of jobs they perform. This relative worth of jobs is ascertained by job evaluation. Thus, an ideal compensation system should establish and maintain appropriate differentials based on relative values of jobs. In other words, the compensation system should ensure that more difficult jobs should be paid more.
- c) **Individual Worth:** According to this principle, an individual should be paid as per his/her performance. Thus, the compensation system, as far as possible, enables the individual to be rewarded according to his contribution to organisation. This principle ensures that each individual's pay is fair in comparison to others doing the same jobs, i.e., "equal pay for equal work". In sum and substance, a sound compensation system should encompass factors like adequacy of wages, social balance, supply and demand, fair comparison, equal pay for equal work and work measurement.



Theories of Wages and Salaries:

- a) **Purchasing Power Theory:** The purchasing power theory focuses on the buying power of employees and their effect on the overall economic environment. It maintains that paying higher wages increases employee investment in the overall market, thereby creating more employment options elsewhere in society. It also focuses on the consumption power of employees and their ability to manipulate the demand for products if they have the individual buying power to increase their consumption.
- b) **Subsistence Theory:** Subsistence theory focuses on the basic needs of employees and states that an individual must make enough income to support her basic needs and the needs of her family. Under this theory an individual who does not make enough to support his basic needs will seek employment elsewhere or be unable and unwilling to continue in his current employment. This theory focuses on the supply side of labour while neglecting the employee's desire to earn more than his basic needs.
- c) **General Theory:** The general theory of wages states that a decrease to the overall wages of all employees allows employers to hire more employees, thereby creating employment opportunities. This theory ignores the motivational benefits of higher wages and the potential buying power of individuals in non essential markets. An employee who earns too little is unlikely to spend the money she does not have to purchase luxury items and items of convenience, decreasing corporate motivation to delve into these economic areas. So the focus will be on creating products to meet customer's basic needs.
- d) **Surplus Value Theory:** Surplus value theory identifies a gap between the productions of employees to their wages earned. The theory states that individual employees tend to not earn wages equal to the value of their performed work. This difference is often referred to as the rate of exploitation and indicative of a system that rewards employers for the mistreatment of their employees.



- e) **The Bargaining Theory:** The bargaining theory states that the wages paid are equivalent to the bargaining ability of the employees. This theory sets a competitive bargaining environment in companies and suggests that an employee should seek to increase his effective bargaining potential to earn higher wages. This theory became the foundation for collective bargaining systems.

2. Research Methodology

The methodology followed for conducting the study includes the specification of research design, sample design, questionnaire design, data collection and statistical tools used for analyzing the collected data. The research design used for this study is of the descriptive type. Sample size for the study is 50 employees from the total population. The samples are selected on the basis of convenience. The primary data is collected by using questionnaire. The questionnaire has 19 questions. A likert scale (two point scale) is used such as disagree and agree. Tools of analysis include simple percentage analysis represented by tablet illustration. The sample is drawn from department CBitss Technologies, Chandigarh. Limitations of study include a moderately small sample size and bias which may have crept in due to subjectivity in questions based on knowledge and experience of the respondents.

Objectives of the study:

- To study the impact of wage and salary administration on performance of employees.
- To study and analyse the maintenance of equitable wages and salary system.
- To study the methods of recognizing and motivating for better performance through wage and salary system.

3. Results and Discussion

Findings

- Most of the employees agreed that the wages and salaries are equally paid to all of them in the organisation without any bias/ favouritism.



- The commonly used method by the employer to pay his or her employees is salary method than hourly and commission methods.
- It is found that large number of employees agreed that the calculations and payments of salaries are done on monthly basis including all allowances and deductions.
- It is understood that the employees agreed to the fact that payment policy of organisation motivates them to put more efforts.
- From the study it is clear that most of employees get salary increment after every 2 years.
- Most of the employees preferred bank mode of payment.
- Majority of the employees says that there is a separate department which maintains complete personnel records.
- The study reveals that currently used incentives system in the organisation is profit sharing.
- Most of the employees agreed that principles of wages and salary administration are properly followed in the company.
- From the study it is reviewed that the maximum number of respondents' opinion is to change the pay scale by large extent.
- The study reveals that employees used both the time worked and the amount of work produced methods for wage payment.
- It is found that the wages are paid by warrant.
- Majority of the employees are satisfied with the monetary awards.
- The study reveals that most of the employees seeking for change in the salary.
- It is found that the lack of wage and salary administration system affects the workers performance to large extent.
- From the study it is clear that most of employees agree to the fact that they are satisfied with the way the organisation handles wages and salary matters.



Suggestions

- Appointing representatives of employees on the administration of wage and salary plan committees.
- Revising existing pay scale.
- Ensuring prompt payment of dues of the employees and not accumulating areas of payment.
- Providing job environment, wage and salary and perquisites as of the private sector.
- Staff training and development should be pursuing vigorously. Training should be organized by pursuing vigorous fields to improve employee's capabilities in the execution of their responsibilities and their performance.
- There should be cordial relationship between the leader and the lead. There should be forum created where the top management officers interact and share ideas with their subordinates. This will give subordinate a sense of belonging and a psychological boost their morale which will enhance their productivity and their performance in an organization.
- Promotion policy in the public service should be done on merit as when due to deserving officers.
- The salary increment should be rewarded as at when due from the analysis, it shows that if workers remuneration increases, it will improve employee performance. They should be no delay on the increment.
- To keep employees happy & loyal, it is essential to pay them correctly and on time every month. They also expect the fulfilment of agreements from organization side, so make it sure that agreements should be fulfilled towards them.
- Proper calculation and payment of taxes is very important. Business owners have to pay tax on behalf of their employees and themselves. If these are not correctly calculated, it would results into owing the government a lot of money.

Limitations

- Limited Time Span: Due to lack of time and busy schedule of the employees, it is hard to interact properly with them.



- Biases on the Part of Respondents: The responds from the respondents may not be accurate. The do not reveal the truth.
- Finance: The scope of these works was limited due to lack of fund. The fund available at the time of this research work was not enough for the researcher to execute all she intends to execute. This lack of fund limited some aspect of the research work.
- Results of the study have been derived to be the parameters included in questionnaire, so the results may not be accurate.
- The sample taken for the study was only 50, so the results drawn may not be appropriate.
- Utmost care has been taken to get the accurate results, but it may not be achieved because of risk of ambiguities and misinterpretation on the part of respondents.
- Since the organisation has strict control. It acts as another barrier for getting data.
- Another difficulty can be the lack of experience of researcher.

Conclusion

The study concludes that the wages and salary administration in CBitss Technologies is clearly defined and found effective. The study on employee wages and salaries are highlighted which is helpful for improvements in the organisation. The study was conducted among 50 employees and collected information through structured questionnaire. It helped to findings which were related with the employee wages and salaries which are provided in the organisation.

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