



Employee Wages and Benefits

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- This is the basic amount of money on which other parts of the salary get calculated. Let us use Ganesh's basic of Rs.3,500 for this illustration.
- HRA is paid as a percentage of the basic salary. For instance, if the bank offers a 40% HRA, it means that Ganesh will get Rs.1400 every month, in addition to his basic salary. Companies usually make a distinction between Basic and HRA because HRA can be tax free.
- This could also be a percentage of the basic salary but it could also be a fixed amount. Companies specify different amounts of travel allowance for different categories of employees. In Ganesh's case, let us assume that he receives a travel allowance of Rs.1,000. This amount is assumed to be used only for coming to work and going home. As a peon, he will be reimbursed for work related travel expenses.
- A certain amount will be payable to Ganesh every year, against medical bills that he provides. This amount is tax free if bills are provided. Even if he does not provide bills, it will be paid out to him. Let us assume that this amount is Rs.10,000 per year.
- Every month, 12% of Ganesh's basic pay will be deducted and save for him in a PF account. His employer, the bank, will put an equal amount into the account. So, if Rs.350 is taken from his salary and put into his PF account, the bank will put an additional Rs.350. This amount will earn interest over the years.
- Every year, the bank gives their employees an increase in their salary that is linked to the rise in prices. This is called the annual increment in salary. If the employee has performed well, he is likely to receive an increment that is higher than the average.
- Gopal explained that there are many additional benefits which are not visible but make life a lot easier.

- The bank works only 6 days in a week. In addition, Ganesh will get a holiday on all bank holidays...which amount to around two weeks in the year. He will also get casual leave, sick leave and privilege leave, during which he will receive his whole pay. All this will certainly amount to more than one month off during the year.
- Most large companies take group insurance for employees and their immediate family (parents, spouse and children). This means that if you or your family are hospitalised, you can recover all or part of the expenses through your company, depending on the illness.
- He also explains that there are long term benefits of working with a formal company...
- After working for a company for 5 years, when you leave, you will be paid a lump sum amount which equals 20% of your annual salary for each year that you have worked with it.
- In most cases, if you have worked for at least 15 years, when you reach the retirement age (which is 58 or 60), you receive an monthly pension as per the rates prevailing then and your designation when you left or retired.
- Some companies offer their employees and their dependents medical insurance even after they retire. This is a great economic support as medical costs are quite high and rising. It is also unfortunate that most people face more illness in their old age than before.
- After hearing Gopal's explanation of how a salary is structured, both Ganesh's father and his brother are convinced that Ganesh should work in the bank. Gopal and Ganesh's mother are happy with the decision and Ganesh just cannot wait to begin work!

