



EMPLOYEE COST (Labour Cost)

Chapter 3

EMPLOYEE COST

According to Cost Accounting Standard-7 (CAS-7) issued by ICWA of India, employee cost is 'the aggregate of all kinds of consideration paid, payable and provision made for future payments, for the services rendered by employees of an enterprise (including temporary, part time and contract employees). Consideration includes wages, salaries, contractual payments and benefits, as applicable, or any payment made on behalf of the employee. This is also known as labour cost.' Labour cost is of two kinds:

Direct labour cost is 'the cost of employees which can be attributed to a cost object in an economically feasible way.' Direct labour is expended in altering the construction, composition or condition of the product.

Indirect labour cost is the wages paid to those workers who are not directly engaged in converting raw materials into finished products.

Organization for Accounting and Control of Labour Cost

Personnel department

- This is a service department and is mainly concerned with the proper selection and training of workers and placing them on jobs best suited.

Engineering department

- It prepares specifications of jobs makes job analysis, conducts time and motion studies, makes provision for safe working conditions.

Time-keeping department

- This department is concerned with recording of workers's time.

Payroll department

- This department maintains a record of job classification and wage rate of each employee and performs the function of computation of wages.

Cost accounting department

- It classifies all cost data including labour.

PERSONNEL DEPARTMENT

This department is concerned with recruitment, discharge and transfer, etc., of labour. On engaging a new worker, the personnel office will prepare an Employee's Record Card. This card will show full personal details of the employee, particulars of previous employment, wage rate payable and his medical category.

The following departments are notified about the engagement of a new employee:



(a)

- The department where the worker has to report for duty, a notification is made that the worker is expected to report on a certain date.

(b)

- The payroll department is informed about the new employee's name, the name of the former employee whom he replaces, clock number, rate of pay, date of commencement, etc.

(c)

- The time office, for recording the employee's attendance.

LABOUR TURNOVER

Labour turnover is thus defined as 'the rate of change in the composition of the labour force in an organization.'

Measurement of Labour Turnover

1. **Separation method** This method takes into account only those workers who have left during a particular period. Its formula is:

$$\text{Labour Turnover Rate} = \frac{\text{No. of workers who have left during a period}}{\text{Average no. of workers during the period}} \times 100^*$$

$$\text{Average Number} = \frac{\text{No. of workers in the beginning} + \text{No. of workers at the end of the period}}{2}$$

2. **Replacement method** This method takes into account only those new workers who have joined in place of those who have left. Its formula is:

$$\text{Labour Turnover Rate} = \frac{\text{No. of workers replaced during the period}}{\text{Average no. of workers during the period}} \times 100$$

3. **Flux method** This shows the total change in the composition of labour force due to separations and replacement of workers. Its formula is:

$$\text{Labour Turnover Rate} = \frac{\text{No. of workers who left} + \text{No. of workers replaced}}{\text{Average no. of workers}} \times 100$$

Cost of Labour Turnover

Preventive costs: These costs are those which are incurred to keep the work force satisfied and to prevent or discourage them from leaving the organization. These include:

1. Cost of personnel management-only that portion of this cost which can be attributed to the efforts of the personnel department in maintaining good relations between management and workers
2. Cost of welfare activities and services, e.g., canteen meals, co-operative stores, educational and transport facilities and housing schemes
3. Cost of medical services
4. Pensions schemes-to provide security and retirement benefits
5. Extra bonus and other perquisites (in excess of those given by other similar concerns) to discourage their defecting to other undertakings

Replacement costs These costs include all such losses and wastages arising because of the inexperienced new labour force replacing the existing one as well as the cost of recruitment and training of the new workers. These include:

1. • Cost of recruitment and selection of new employees
2. • Cost of training of new workers
3. • Loss of output due to some time gap in recruiting new workers
4. • Loss due to inefficiency of new workers
5. • Cost of accidents due to lack of experience of new workers
6. • Cost of extra scrap and defective work of new workers
7. • Cost of tools and machine breakdown due to faulty handling by new workers

ENGINEERING DEPARTMENT

This department helps in maintaining control over working conditions and production methods for each job, process or department. It performs functions like:



1. Preparation of plans and specifications for each job

2. Conducting time and motion studies

3. Making job analysis and setting piece rates

4. Providing safe and efficient working conditions

5. Supervising production activities in various production departments



WORK STUDY AND WORK MEASUREMENT

Work Study: Work study may be defined as a technique of management which involves analytical study of jobs/operations with the object of determining the exact operations to be performed and measuring the work content of jobs. It consists of two techniques:

Methods Study: Methods study aims at determining the correct and more effective ways of doing jobs so that methods of production may be improved and effective use of existing resources may be made. This involves study of operations, tools and equipment, movements, etc. Methods study helps in the following ways:

- (a) It improves methods in general and establishes correct methods for jobs and processes.
- (b) It establishes data from which process layouts and standard time can be produced, wherever required.

Work Measurement: Work measurement is a technique of establishing normal or standard times after standardization of methods and establishment of a measure for the work contents of jobs or operations. This is done by :

Motion study is the study of the movements (motions) of workers and machines in performing the operation. Its objective is to identify and eliminate wasteful motions made by workers and machines operated by them.

Time study follows motion study. It is the art of observing and recording time required to do each detailed element of an industrial operation. Its main objective is to determine the standard time required to carry out a job most efficiently.



JOB ANALYSIS, EVALUATION AND MERIT RATING

Job analysis is the process of determining the tasks which comprise the job and the skills, knowledge, abilities and responsibilities required of the worker for its successful performance. Job analysis helps in fixing wage rates for different jobs and also helps in the right recruitment, selection and placement of workers.

Job Evaluation

Job evaluation is the rating of jobs for the purpose of determining the relative worth of each job. It is a systematic method of appraising the worth of each job in relation to other jobs. The idea behind job evaluation is that jobs which are similar in terms of duties and requirements must carry the same amount of salaries.

Merit Rating

Merit rating which is also known as employee rating or performance rating may be defined as a systematic evaluation of an employee's performance on the job, in terms of the requirements of the job. It rates or grades workers on their jobs on the basis of objective and comparative review of their individual performances. While attempting to rate workers in a workshop, the following factors may be considered: (a) Skill and experience; (b) Educational background; (c) Intelligence; (d) Responsibility; (e) Physical efforts; (f) Supervisory abilities; (g) Leadership qualities.

TIME-KEEPING DEPARTMENT

The main function of this department is to accurately record each Worker's time of arrival and departure in the factory and also the time spent on different jobs or processes. Thus it embraces two functions:

- a) Time keeping, i.e., recording arrival and departure time of workers for attendance purpose and for calculation of wages; and
- b) Time booking, i.e., recording time spent by workers on different jobs or processes for determining labour cost of jobs/processes.

The purpose of time recording is to provide basic data for:

(i) Preparation of payroll

(ii) Attendance records, to meet statutory requirements

(iii) Computing labour cost of a job or process

(iv) Computing overhead cost of jobs, if based on wages or labour hours

(v) Statistical analysis of labour records for determining productivity and control of labour cost

METHODS OF TIME KEEPING

Attendance register

In this method, attendance of each worker is recorded in the register maintained for this purpose. This register provides sufficient number of columns for attendance of each worker. Entries in the arrival and departure columns may be made by the foreman or the worker himself.

Token or disc method

Each worker is allotted an identification number is suitably painted or engraved on a round metal token (or disc) with a hole in it. All such tokens are hung in a serial order on a board at the factory gate. As the worker arrives, he removes his token from the board and puts it in a box kept nearby or hangs it on another board which is specially kept for this purpose.

Time-recording clocks

Each worker is allotted a Clock Card which bears his identification number, name, department, etc. These cards are kept in a rack in a serial order. There are usually two racks-an 'In' rack and an 'Out' rack. On arrival, the worker will pick up his card from the 'Out' rack, put it in the slot of the clock, press a button and the exact time is printed on the card. After this the card is put in the 'In' rack. An inspection of the 'Out' racks will reveal absentees.

Biometric Time Clock

Biometric time-recording clock is an electronic device to record attendance of employees. Instead of employees punching a time card or logging their attendance by hand, they simply place their finger on the Fingerprint Reading Sensor or place their hand into the Hand Reader and the rest of the work is done by the machine.

METHODS OF TIME-BOOKING

Job Ticket

- Job tickets or job cards are very commonly used for recording the time spent on each job. A card is prepared for each job and is allotted to the worker who takes up that particular job. The worker enters in this card the time of starting as well as finishing the job. After finishing the job, the worker submits his work along with his job ticket. He is then issued another job ticket for the next job.

Combined Time and Job Card

- This card combines the two in one-the clock card and job card, i.e., it records both the attendance time as well as time spent on different jobs.

Daily Time Sheet

- Each worker is daily issued a time sheet in which the time spent on each job during the day is recorded. This sheet must be completed on the same day and handed over to the foreman for signature.

Weekly Time Sheet

- Weekly time sheets record almost the same information as the daily time sheet. The main difference is that instead of recording the work done for a day only, record of work carried out is entered on a weekly basis.

Piece Work Card

- This card is allotted to a worker who is paid on piece basis. This card may be made either for each individual job or for recording the work done on several jobs. If group system of piece work is in vogue, the card may be allotted to each group of workers.

PAYROLL DEPARTMENT

The payroll department is responsible for the important task of computation and disbursement of wages payable to workers. It records hours worked and wages earned, makes payroll deductions, determines the net amount due, maintains a permanent earnings record for each employee and provides the treasurer's office with necessary records to make payments.



Functions

- 1. To maintain a record of job classification, department and wage rate for each employee.
- 2. To verify and to summarize the time of each worker as shown on the daily time cards.
- 3. To prepare the payroll and compute the wages earned by each employee.
- 4. To compute the payroll deductions.
- 5. To maintain permanent payroll record of each employee.
- 6. To make wage payments.

PAYROLL SHEET

The main function of payroll department is to prepare payroll sheet, also known as wages sheet. Wages sheet is a statement which lists the worker's wages showing gross wages earned by them for a particular period and actual wages payable to them after making necessary deductions. Time or clock cards are the basis for the preparation of wages sheets.

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Fig. 3.8: Payroll Sheet

PAY SLIP

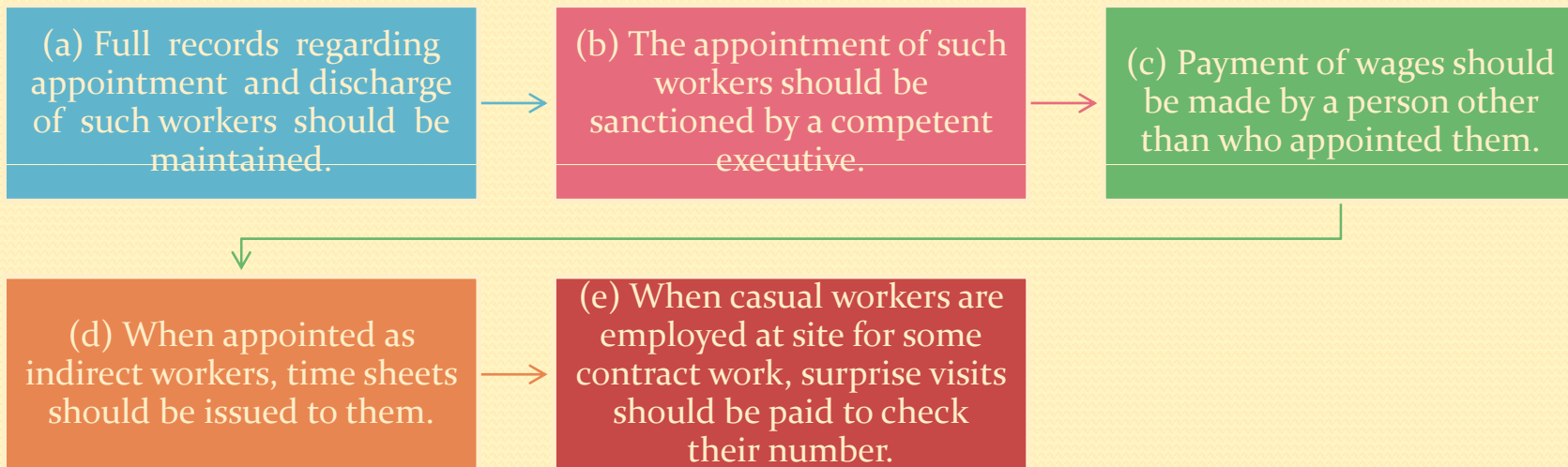
Some companies have a practice of preparing a pay slip of each worker, which may be handed over to the worker in advance of the actual payment of wages. Pay slip shows basic wages and details of various allowances like house rent allowance, dearness allowance and other payments like bonus, overtime pay, etc., and various deductions on account of P.F. contribution, income tax, recovery of loans, and any other deduction.



PAY SLIP	
Name of Worker	Department
Worker's No.	Wage period
	₹
Basic wages	.....
Overtime pay	.....
Dearness allowance	.....
House rent allowance	.....
Bonus	.....
Other allowances	.....
	Gross wages
Less: P.F. contribution	.....
E.S.I. contribution	.....
Income tax	.....
Other deductions	.....
	Net amount payable ₹
Dated.....	.....
	Signature

CASUAL AND OUT-WORKERS

Casual Workers: The casual or 'badli' workers are temporary workers who are not on the regular payroll of the factory. They are appointed on a daily basis to meet additional workload or to stand in for absentee workers. Following steps should be taken for accounting and control of casual workers:



Out-Workers: These are the workers who work outside the factory premises on behalf of the undertaking. Out-workers are classified into two categories:

(a) **Workers who work from homes** Control can be exercised in following manner:

1. All materials supplied should be accounted for and there should be no undue wear and tear of tools supplied by the concern.
2. The work should be delivered within the stipulated time.
3. The quality of finished work should be carefully inspected.

(b) **Workers sent to site**

IDLE TIME

Idle time is defined as 'the difference between the time for which employees are paid and the employee's time booked against the cost object.' It represents the time for which they are paid but no production is obtained.

Treatment of Idle Time

Normal Idle Time

- This is that wastage of labour time which cannot be avoided and has to be borne by the employer. The cost of normal idle time may be treated in one of the following two ways:
- (i) As overhead cost it may be charged to factory overheads. For this purpose, idle time is allotted a separate standing order number. This helps in its effective control.
- (ii) As direct wages The wage rate may be inflated to make allowance for normal loss of labour time.

Abnormal Idle Time

- This is that idle time which arises due to reasons in no way connected with the usual routine of manufacture and for which employer must pay. Payment for such idle time is not included in cost and is transferred to Costing Profit and Loss Account.

Control of Idle Time

(a) Production should be planned so that imbalances are avoided or reduced.

(b) Repairs and maintenance of plant and machinery should be regularly undertaken to avoid breakdown.

(c) Raw materials, tools and instructions should reach the worker well in time so that no time is wasted in waiting for them.

(d) Supervision should be tightened.

OVERTIME

Overtime is defined 'as the time spent beyond normal working hours, which is usually paid at higher rate than the normal time rate.' The extra amount beyond normal wages and salaries is called overtime premium.

Treatment of Overtime

When overtime is job specific

- When overtime is spent on a specific job at the request of a customer due to urgency of work and the customer agrees to the entire charge of overtime premium, it should be charged to the job or work order concerned.

When overtime is due to general pressure

- When a business receives more orders than it can cope with in the normal working hours and there is general pressure of work, it may be treated by one of the following two methods:
 - (i) Treat overtime premium as direct labour cost by inflating the wage rate and charging to different jobs at the inflated/average rate.
 - (ii) Alternatively, it may be treated as indirect wages and included in overheads.

When overtime is due to abnormal reasons

- Overtime arising due to abnormal factors, like accident, power failure, fire and machine breakdown, or due to factors like defective planning or faulty management, it should not be included in the cost of products and it should be charged to costing Profit and Loss Account.

TREATMENT OF SPECIAL ITEMS

Leave with Pay

According to the Factories Act, workers are entitled to annual leave with full pay, for a specified number of days in a year. This may include casual leave, medical leave, special leave, etc. It is treated as indirect labour cost and charged to overheads. Alternatively, leave wages may be treated as direct labour cost in which case the wage rate is inflated.

Holiday with Pay

Workers are also entitled to certain holidays like Diwali, Id, Republic Day, Independence Day, etc. Payment for such holidays should, therefore, be treated in the same way as leave pay.

Profit Sharing Bonus

Under the Payment of Bonus Act, a minimum amount of bonus is payable to workers, even if no profits are earned during a period. The bonus should, therefore, be charged to cost of production. The amount of such bonus in respect of direct labour should be included in the direct labour cost and that in respect of indirect labour should be charged to overheads of the department concerned.

COST ACCOUNTING DEPARTMENT

The cost accounting department collects and analyses all costs relating to labour. For this purpose, it makes use of clock cards, job cards, daily or weekly time sheets, payroll sheets, etc. The cost accounting department is also responsible for presenting clear and well-designed reports on labour.

Wages Analysis Sheet or Wages Abstract

The analysis of labour cost is made on a document known as Wages Analysis Sheet or Wages Abstract. The purpose of this is similar to that of Material Analysis Sheet

WAGES ANALYSIS SHEET (Wages Abstract)														
No										Week ending				
Worker's No.	Weages of Job No.												Total wages for jobs	Indirect weags
	51 ₹	52 ₹	53 ₹	54 ₹	55 ₹	56 ₹	57 ₹	58 ₹	59 ₹	60 ₹	61 ₹	62 ₹		
Total														
Prepared by.....										Checked by.....				

Fig. 3.11: Wages Analysis Sheet

LABOUR REMUNERATION

The term remuneration is used to cover the total monetary earnings of employees. It includes wages according to time or piece basis and other financial incentives.

Requisites of a Satisfactory System of Labour Remuneration

1. The system should be such as will produce the best quality and quantity of work.

2. It should be satisfactory from the point of view of both employer and employee and reward should be related to effort.

3. The scheme should be clearly defined and intelligible to workers. The workers should be able to calculate wages on their own. If the workers do not understand the system, they may view it with suspicion.

4. It should guarantee a minimum living wage to each worker.

5. No maximum limit should be placed on the amount of individual earnings.

LABOUR REMUNERATION (CONTD.)

The term remuneration is used to cover the total monetary earnings of employees. It includes wages according to time or piece basis and other financial incentives.

Requisites of a Satisfactory System of Labour Remuneration

6. Earnings of the workers should not be affected by matters beyond their control. They should not, for example, be penalized for production losses due to power failure, machine breakdown, etc., for which they are not responsible.

7. It should reduce labour turnover and labour absenteeism.

8. The system should be flexible so that changes may be introduced as and when necessary.

9. System should be capable of operation without excessive clerical work. Methods which demand detailed recording of time, quantity of output, etc are avoided.

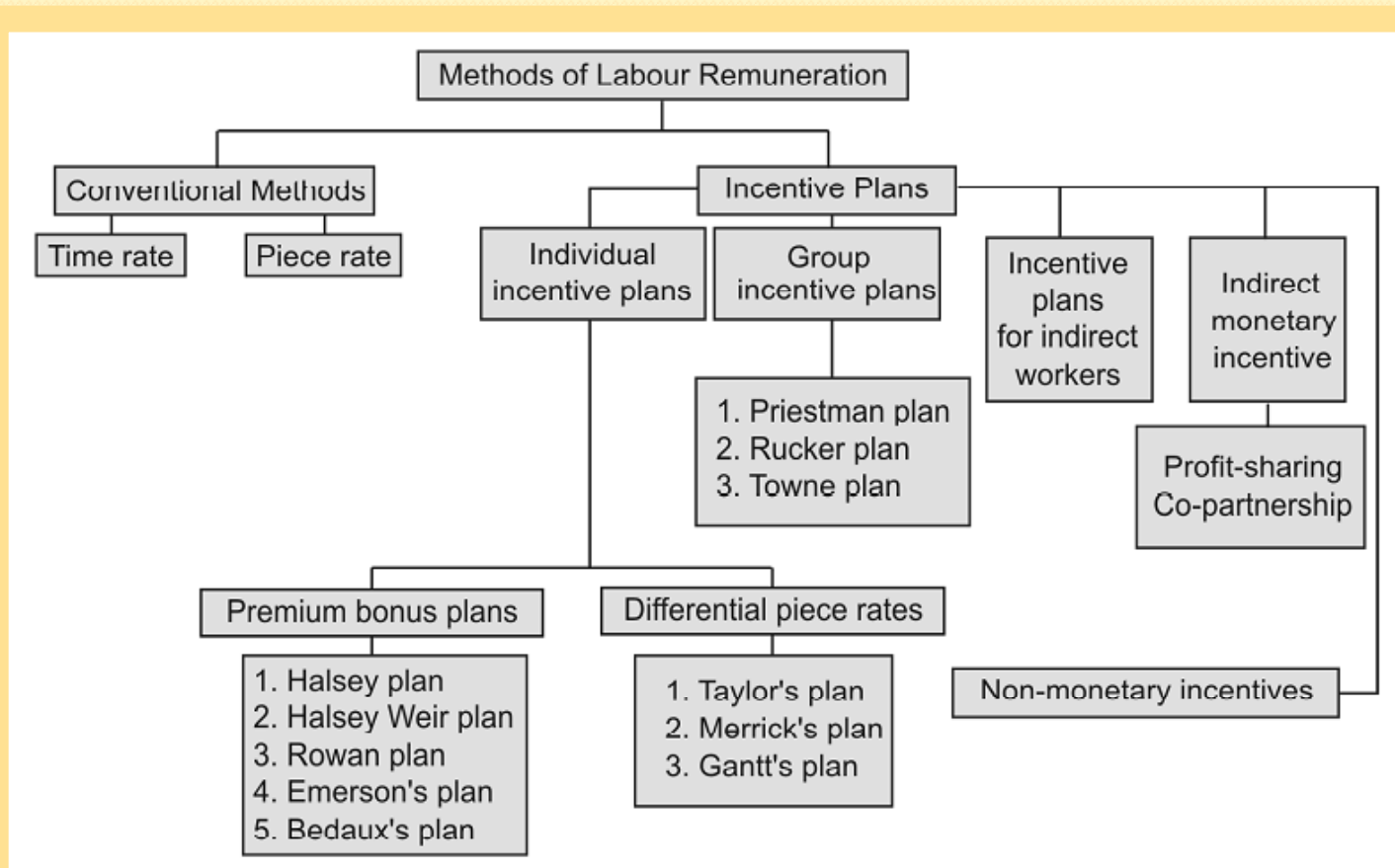
10. If possible, the system adopted should be one which is in vogue in that particular industry or in that particular locality.

METHODS OF REMUNERATION

(Systems of Wage Payment)

There are two basic methods of labour remuneration:

- (a) Time Rate System
- (b) Piece Rate System



METHODS OF REMUNERATION

(Systems of Wage Payment)

Time Rate System: Under time rate system, workers are paid according to the time for which they work. Payment may be on hourly basis, daily basis or monthly basis.

$$\text{Wages} = \text{No. of hours worked} \times \text{Rate per hour}$$

Suitability Time wage system is suitable for the following type of situations:

1. Where quality of work is more important than quantity, e.g., high class tailoring.
2. Where output cannot be measured in quantitative terms, e.g., in the case of indirect workers, like watchman, cleaners and sweepers
3. Where output is beyond the control of the worker or where the work of a worker is dependent on the work of other workers.
4. Where work is being done on a small scale so that close supervision is possible.
5. Where the worker is a learner or an apprentice.

Piece Rate System: Wages under this system are paid according to the quantity of work done. A rate is fixed per unit of production and wages are calculated by the formula:

$$\text{Wages} = \text{Rate per unit} \times \text{No. of units produced}$$

Suitability of piece rate system Conditions for piece rates are:

- (a) Where production is standardized and repetitive in nature
- (b) When the aim is continuous maximum production
- (c) Where the output of workers can be measured
- (d) Where workers continue at the same job for long periods
- (e) Where the standard time required to complete a job can be measured accurately

INCENTIVE PLANS

The primary purpose of an incentive plan is to induce a worker to produce more to earn a higher wage.

Types of Incentive Plans

1. Halsey Premium Plan: It is a simple combination of time and piece rate systems. The main features of this plan are as follows:

- (a) Workers are paid at a rate per hour for the actual time taken by them.
- (b) A standard time is set for each piece of work, job or operation.
- (c) If a worker takes standard time or more than the standard time to complete his work, he is paid wages for the actual time taken by him at the time rate. In other words, time wages are guaranteed.
- (d) If a worker takes less than the standard time, he is paid a bonus equal to 50% of the time saved at the time rate fixed. Thus, under this system, total earnings of a worker are equal to wages for the actual time taken by him plus a bonus. The formula for calculating bonus and total earnings is as follows:

$$\text{Bonus} = 50\% \text{ of } [\text{Time saved} \times \text{Time rate}]$$

$$\text{Total earnings} = \text{Time rate} \times \text{Time taken} + 50\% \text{ of } [\text{Time saved} \times \text{Time rate}]$$

2. Halsey Weir Plan

This method is precisely the same as Halsey Plan except that in Halsey Weir Plan the bonus is equal to 30% of the time saved.

INCENTIVE PLANS(Contd.)

3. Rowan Plan: This is similar to Halsey Plan except in the calculation of bonus.

(a) Wages are paid on time basis for the actual time worked by the workers.

(b) A standard time is determined for each piece of work or job.

(c) If a worker completes his work in standard time or in more than the standard time, he is paid wages for the time actually taken by him.

(d) If a worker completes his work in less than the standard time, he is entitled to a bonus.

(e) Bonus is that proportion of wages of actual time taken which the time saved bears to the standard time. Its formula is

$$\text{Bonus} = \frac{\text{Time saved}}{\text{Time allowed}} \times \text{Time taken} \times \text{Time rate}$$

$$\text{Earnings} = (\text{Time taken} \times \text{Time rate}) + \text{Bonus}$$

4. Taylor's Differential Piece Rate System: This system was introduced by F W Taylor, the father of scientific management.

(a) Day wages are not guaranteed, i.e., it does not assure any minimum amount of wages to workers.

(b) A standard time for each job is set very carefully after time and motion studies.

(c) Two piece rates are set for each job-the lower rate and the higher rate. The lower piece rate is payable where a worker takes a longer time than the standard time to complete the work. Higher rate is payable when a worker completes the work within the standard time.

INCENTIVE PLANS(Contd.)

5. Merrick's Differential Piece Rate System (Multiple Piece Rate System): This is a modification of Taylor's plan. While Taylor prescribed two rates, Merrick's plan lays down three rates. The lowest rate is for the beginners, the middle rate is for the developing workers and the highest rate is for the highly efficient workers. Efficiency of the workers is determined in terms of percentages. Thus, the rates of remuneration are:

<i>Level of efficiency</i>	<i>Piece rate</i>
Upto 83%	Ordinary piece rate
83% to 100%	110% of ordinary piece rate
Above 100%	120% of ordinary piece rate

6. Gantt's Task and Bonus Plan: The main features of this plan are as follows:

- (a) Day wages on time basis are guaranteed to all workers.
- (b) This plan is a combination of time rate, differential piece rate and bonus.
- (c) A standard is set and remuneration is calculated as follows:
 - (i) When output is below standard-payment at time rate.
 - (ii) When output is at standard-payment at time rate plus 20% bonus.
 - (iii) When output is above standard-payment at high piece rate.

INCENTIVE PLANS (Contd.)

7. Emerson's Efficiency Plan: This scheme is designed to give encouragement to the slow workers to perform better than before. Time wages are guaranteed. The standard output in this plan is fixed to represent 100% efficiency. A bonus is paid to a worker whose efficiency exceeds 66%. As efficiency increases, the bonus also increases gradually in steps, at a stated rate, so that at 100% efficiency, bonus would rise to 20% of wages. Beyond 100% the bonus increases at 1% of the basic rate for each 1per cent increase in efficiency. It can thus, be shown as below in a tabular form:

<i>Efficiency</i>	<i>Bonus</i>
(a) Below $66\frac{2}{3}\%$	No bonus (Only time wages)
(b) $66\frac{2}{3}\%$ to 100%	Bonus increases in steps and rises to 20% at 100% efficiency
(c) Over 100%	20% bonus plus 1% bonus for each increase of 1% in efficiency

8. Bedaux Plan : In this plan, standard time of each job is determined in minutes known as Bedaux points or B's. One B unit represents the amount of work which an average worker can do under ordinary conditions in one minute. The standard time is determined by work study and each job is assigned a number of B's.

GROUP BONUS PLANS

There are certain jobs or operations which are required to be done collectively, by a group of workers. The following bases of distribution are commonly used:

- (a) Equal distribution, if skill and grade of workers in the group is uniform
- (b) On the basis of time wages of each worker
- (c) In proportion to the time rate of each worker, where all have devoted equal time
- (d) In a fixed ratio determined in advance on the basis of merit rating

Types of Group Incentive Plans

Priestman Plan

- According to this plan, a standard is set for the output to be achieved weekly by a factory as a whole. This standard may be in terms of units or points (Bedaux Plan). The actual output of the factory is compared with the standard and if actual exceeds standard, the employees are paid a bonus in proportion to the increase.

Towne Plan

- Under this plan, actual labour cost is compared with the predetermined standard set for labour cost. If the labour cost is less than the standard so set, 50% of the saving so effected is distributed as bonus to individual workers prorata with the wages earned. The supervisory staff also gets a part of this bonus and thus encouragement is provided to reduce cost.

Rucker Plan (Share of Production Plan)

- Under this plan, labour receives a constant proportion of the 'added value'. The term 'added value' is defined by CIMA as 'the change in market value resulting from an alteration in the form, location or availability of a product or service, excluding the cost of bought-out materials or services.'

INCENTIVE PLANS FOR INDIRECT WORKERS

Bases of Payment of Bonus to Indirect Workers: The indirect workers may be paid a bonus on any one of the following bases:

1. Where indirect workers serve a group of direct workers, they may be paid a bonus on the basis of performance of the group of direct workers whom they serve, e.g., maintenance workers attached to a particular department.

2. When indirect workers provide general services, e.g., sweeping and storekeeping, bonus may be paid on the basis of the output of the whole factory.

3. On the basis of job evaluation and merit rating of indirect workers.

4. On some arbitrary basis, like enhanced day rate so as to include an element of bonus in the rate itself.

CO-PARTNERSHIP AND PROFIT SHARING AND NON-MONETARY INCENTIVES

Co-partnership or co-ownership is a scheme whereby employees are given an opportunity to share in the capital of the business and to receive a part of the profit that accrues to their share of ownership.

Under the profit-sharing schemes, the workers are paid in addition to wages, a predetermined share of the profits of the undertaking. In India, worker's share is governed by the Payment of Bonus Act, 1965.

A co-partnership scheme may be arranged in conjunction with a profit sharing scheme, whereby the bonus to workers is to be retained as an investment in the company. This investment may be in the form of special shares, not carrying voting rights but entitled to a fixed dividend or it may be in the form of a loan carrying higher rate of interest.

Workers are sometimes provided with certain incentives, not in the form of higher wages but in terms of favourable conditions of employment. Such incentives are given in the form of better amenities or facilities. Non-monetary incentives help in attracting better workers, reduce labour turnover and absenteeism, promote better industrial relations, encourage loyalty and keep the workers happy and satisfied.