

Notes on Wage and Salary Administration

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Meaning of Wages

- ✓ Wages means reward to the employee for his service to the people/work/assignment/organization. These can be per hour, per unit, daily, weekly basis. ex. labor etc. ,short duration. We can also say, it is a sum of money paid to the employee by the employer for his service rendered.
- ✓ Wages are paid generally on weekly basis.
- ✓ It is said to be the payments in terms of the number of hours worked and may fluctuate depending upon hours actually worked.
- ✓ Employees consider wages as a means for satisfying their needs in terms of an expected standard. They desire to receive at least as much remuneration as other individuals equipped with similar skills for doing similar work.

Meaning of Salary

- ✓ It is the agreed upon amount of money between the employer and the employee that is extended at regular intervals on the basis of an individual's performance. Salary is generally a fixed amount of package calculated on an annual basis.
- ✓ Salary is given to the employees on a monthly basis.
- ✓ Each salary payment consists of a fixed amount of money each month. Companies can supplement your income with paid vacations, public holidays, healthcare insurance, travel bonuses and other expense allowances and benefits.
- ✓ Supply and demand, and the industry sector, define most salaries nationwide. Many large employers link their salary ranges to hierarchy and time worked for the company.
- ✓ Companies can choose to pay a salary or an hourly wage to their employees.
- ✓ *For example*, if a marketing firm needs to hire translators for their website at an hourly rate, they need to convert an annual salary to the actual hours required to complete the translation.

Defining Wage and Salary Administration

- ✓ Administration of employee compensation is called wage and salary administration.
- ✓ According to D.S. Beach “Wage and Salary Administration refers to the establishment and implementation of sound policies and practices of employee compensation. It includes such areas as job evaluation, surveys of wage and salaries, analysis of relevant organizational problems, development and maintenance of wage structure, establishing rules for administering wages, wage payment incentives, profit sharing, wage changes and adjustments, supplementary payments, control of compensation costs and other related items.”
- ✓ The basic purpose and objective of wage and salary administration is to ensure and maintain an equitable wage and salary structure of the employees and workers.
- ✓ Wages and salaries are often considered one of the largest components of cost of production and also have direct implications for growth and profitability of the organization / company.

Purpose of Wage and Salary Administration

- ✓ The basic purpose of wage and salary administration is to establish and maintain an equitable wage and salary structure.
- ✓ It is concerned with the establishment and maintenance of equitable labor cost structure i.e. an optimal balancing of conflicting personnel interest so that the satisfaction of the employees and employers is maximized and conflicts are minimized.
- ✓ The wage and salary administration is concerned with the financial aspects of needs, motivation and rewards.
- ✓ Employees should be paid according to the requirements of their jobs i.e. highly skilled jobs are paid more compensation than low skilled jobs.
- ✓ To establish the job sequences and lines of production wherever they are applicable.
- ✓ To increase the employees’ morale and motivation because a wage program can be explained and is based upon facts.

THANK YOU

