

LABOUR COST MANAGEMENT

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LABOUR COST CONTROL

- Labour costs are associated with human beings. To control labour costs one has to understand human behavior. “Labour cost control means control over the cost incurred on labour”. Control over labour costs does not imply control over the size of the wage bill; it also does not imply that wages of each worker should be kept as low as possible.
- The aim should be to keep the wages per unit of output as low as possible. This can only be achieved by giving workers appropriate compensation to encourage efficiency so that optimum output can be achieved in effective manner.
- A well motivated team of workers can bring about wonders. Each concern should, therefore, constantly strive to raise the productivity of labour. The efforts for the control of labour costs should begin from the very beginning. There has to be a concerted effort by all the concerned departments.
- In a large organisation, generally the following departments are involved in the control of labour costs:

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Personnel Department

- On receipt of labour requisition from the various departments it searches for the required skills and qualification.
- It ensures that the persons recruited possess the requisite qualification and skills required for the job.
- Arranges proper training for the newly recruited workers and workshops for existing workers.
- Maintains all personal and job related records of the employees.
- Evaluation of performance from time to time

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Engineering and Work Study Department

- Prepares plans and specifications for each job
- Providing training and guidance to the employees
- Supervises production activities
- Conducts time and motion studies
- Undertakes job analysis.
- Conducts job evaluation.

Time-keeping Department

- This Department is primarily concerned with the maintenance of attendance records of the employees and the time spent by them on various jobs, etc.

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Payroll Department

- The preparation of payroll of the employees.
- It disburses salary and wage payments.

Cost Accounting Department

- This department is responsible for the accumulation and classification etc. of all type of costs.
- All such data pertaining to labour costs are also collected, analysed and allocated to various jobs, processes, departments, etc., by this department.

IMPORTANT FACTORS FOR THE CONTROL OF LABOUR COST

- Assessment of manpower requirements.
- Control over time-keeping and time-booking.
- Time & Motion Study.
- Control over idle time and overtime.
- Control over labour turnover.
- Wage systems.
- Incentive systems.
- Systems of wage payment and incentives.
- Control over casual, contract and other workers.
- Job Evaluation and Merit Rating.
- Labour productivity.

LABOUR TURNOVER

- Labour turnover in an organisation is the rate of change in the composition of labour force during a specified period measured against a suitable index.
- Labour turnover is an index denoting change (in & out) in the labour force for an organization during a specified period.
- It is the ratio of replaced worker to the total number of worker is called labour turnover ratio.
- If more workers leaves the factory, the turnover will be high & vice-versa & must be avoided.

CAUSES OF LABOUR TURNOVER

- The main causes of labour turnover in an organization/ industry can be broadly classified under the following three heads :
 1. Personal Causes;
 2. Unavoidable Causes; and
 3. Avoidable Causes.

PERSONAL CAUSES

- *Personal causes* are those which induce or compel workers to leave their jobs; such causes include the following:
- Change of jobs for betterment.
- Premature retirement due to ill health or old age.
- Domestic problems and family responsibilities.
- Discontent over the jobs and working environment.
- In all the above cases the employee leaves the organisation at his will but the last one can be overcome by creating conditions leading to a healthy working environment. For this, officers should play a positive role and make sure that their subordinates work under healthy working conditions.

UNAVOIDABLE CAUSES

- *Unavoidable causes* are those under which it becomes obligatory on the part of management to ask one or more of their employees to leave the organisation; such causes are summed up as listed below:
- Seasonal nature of the business;
- Shortage of raw material, power, slack market for the product etc.;
- Change in the plant location;
- Disability, making a worker unfit for work;
- Disciplinary measures;
- Marriage (generally in the case of women).

AVOIDABLE CAUSES

- *Avoidable causes* are those which require the attention of management on a continuous basis so as to keep the labour turnover ratio as low as possible.
- The main causes under this case are indicated below :
 - Dissatisfaction with job, remuneration, hours of work, working conditions, etc.,
 - Strained relationship with management, supervisors or fellow workers;
 - Lack of training facilities and promotional avenues;
 - Lack of recreational and medical facilities;
 - Low wages and allowances.
- Proper and timely management action can reduce the labour turnover appreciably so far as avoidable causes are concerned.