

Labour Cost

It is the aggregate cost of all consideration paid, payable & provision made for future payments for the service rendered by employees

Employees (Part time, full time, contract employees)

Considerations & wages, salary, contractual payments & benefits

Monetary & Non Monetary payments (Benefits)

- Monetary → Basic Salary/Wages (i) Dearness Allowance (ii) Bonus (iii) Contribution to Provident Fund (iv) Employee welfare (v) Gratuity (vi) Pension (vii) Holiday pay (viii) VRS (ix) Employee state insurance. (x) other future benefits

Non Monetary Benefits or Fringe Benefits

- Includes Recreation facilities (i) Medical & Health facilities (ii) Canteen (iii) subsidised meals (iv) Educational facilities to the employee children (v) housing facilities

## Labour cost Control Procedures.

- 1) Managerial Procedure
- ① Production Planning
  - Planning for max. & rational utilisation of labour.
  - Product & process engineering, programming, routine direction constitute production planning.
- ② Setting up Standard
  - With the help of work, time & motion study standards are set and compared with actual and variations are looked into.
- ③ Use of Labour Budget
  - Labour Budget is prepared on the basis of production budget.
  - The number, types along with the cost of labor are provided to production.
  - It is based past data.
- ④ Study of Effectiveness of Wage Policy
  - Remuneration paid on the basis of incentive plan matches with increased production.
- ⑤ Labour Performance Reports
  - Labour utilization and labour efficiency report recd periodically from dept help managerial control on labour & exercise labour cost control.

## Operational Procedure.

1. Proper determination of labour Requirement  
→ labour requirement are determined properly on the basis of existing work load, future expectation, labour turnover, absenteeism.
2. Scientific Selection of Worker  
→ Worker should be selected properly and scientifically (ie) recruitments of proper, qualified and efficient workers.
3. Proper Placement  
→ To place right person on a right job.
4. Proper record of Attendance  
Maintaining proper and correct record of attendance of worker including time of arrival, time of departure, actual working hours.
5. Proper Computation & Paying of Wages  
→ This is responsibility of payroll dept. to make proper computation & to have proper paying of wages.

6. Control on unproductive time.

→ idle time, unnecessary overtime should be

7. Proper training

effort should be made to increase & improve efficiency by providing proper training.

8. Control on labour turnover

→ High rate of labour turnover increase the cost, it should be controlled within limits.

9. Control on absenteeism

→ Step should be taken to control absenteeism if it persists in org.

10. Others

→ Increase labour productivity

→ Method for evaluation & merit rating

→ Control on casual, contractual & other workers.