

SOS POLITICAL SCIENCE & PUBLIC
ADMINISTRATION
JIWAJI UNIVERSITY, GWALIOR

MBA HRD II SEM
PAPER: HRD-202
SUBJECT: WAGES AND SALARY
ADMINISTRATION

TOPIC:

METHOD OF WAGE PAYMENT

In Brief.....

- All wage system must satisfy the basic needs of the employee for food, shelter, clothing and reasonable compensation for their efforts.

1. TIME BASED WAGE SYSTEM

2. PIECE BASED WAGE SYSTEM

All other wage system are combination of these two methods of wage system



Time Wage System

- Wages are calculated on the basis of time worked irrespective of the quality of work done
- Thus the wages are calculated by multiplying the time spent by predetermined rate of wages
- Wage = Time spent * Rate per unit of time
= T * R

Where T = Time spent in Hours

And R = Rate per hour



Advantages


- Simplest system and economical
- It gives workers a sense of security as they know that they will be compensated for time spent within the organization irrespective of their efficiency.
- The quality of the output can be maintained because workers are not in a hurry to complete the job for they are paid on time basis and not on the basis of output produced.
- Minimize material wastages as the work is not done in hurry
- This system works best on artistic jobs where quality of output is of prime consideration.
- Workers can easily understand the calculation of their wages.

Disadvantages

- The system doesn't differentiate between efficient and inefficient workers. As wages are paid in terms of time spent, it decrease the morale of efficient ones.
- It requires continuous supervision
- As the workers are not in hurry to work, production can suffer.
- Under this process the workers generally adopt the policy of go slow.
- This system has no positive inducement for workers so that they could enhance their efficiency.



Variations in Time Wage system

- High Day Rate: in this case the rate of wages is fixed at level higher than the one prevalent in industry to attract best and efficient workers.
 - Graduated Time Rate system: A system of wage where the basic time rate is flexible so that it may be adjusted according to the cost of living index is called GTRS. Here the worker is compensated for increase in cost of living index.
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Piece Rate System

- Under this system, the wages are paid to a worker on the basis of output produced by him without considering the time taken in performing the work.
- $Wages = N * R$
- Where N = no. of unit produced.
- R = Rate per unit

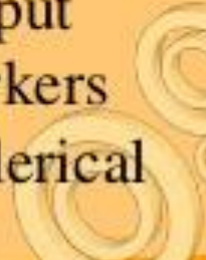
The earning of workers depends on the speed of the work and his own individual skills and efficiency



Advantages

- Work as an inducer for workers to produce more
- Here reward is related to efforts.
- This method is fair to all as inefficient workers are penalized and efficient workers are rewarded.

Disadvantages

- In an effort to produce more and earn more workers may exert themselves to fatigue.
 - Workers feel insecure in this system because they will lose wages for the period of absence.
 - This system requires an up-to-date record of output produced by each worker which increases the clerical work
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Thank you ...