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B. Com-III

Group-C - Paper-V Personal Management & Industrial Relations

SUJEETRA SUMBIN
A.N.C.

Q. No. → Explain the wage payment system and merits and demerits of wage payment system?

Ans

A wage is compensation paid to employees for work for a company during a period of time. Wages are always paid based on a certain amount of time. This is usual on hourly basis.

⇒ The following points highlight the top three methods of wage payments. The methods are: Time rate, piece rate and incentive wage system:—

A) Time rate system: — Under this method of wage

payment, the workers are paid the wages on the basis of time. In this system of wage payment, the workers are paid the wages on the basis of time as, per hour, per day, per week, per fortnight or not consider the production of the employees during this time. The amount of wages under this system is calculated under:—

$$\text{Wages} = \text{Time Spent by the worker} \times \text{Rate of wages}$$

According to time

⇒ Suitability of time rate system:—

This system of wage payment is particularly suitable in the following circumstances:—

- (a) when it is not possible to measure the production in terms of units or in any other terms.
- (b) when the work is of high standard.
- (c) when it is not possible to divide the production into units.
- (d) when the production is of the nature that it requires efficiency more than the speed.
- (e) when the worker is under training.

2.
Merits of Time-rate System.

a. Simplicity: — It is very easy to calculate the amount of wage under this system.

b. Certainty of the amount of the Remuneration: — This system of wage payments provides certainty of the amount of wage payment to the employee. It develops the feeling of confidence and certainty among them.

~~c. High Quality of Production: — This system of wage payment provides certainty of the amount of wage payment to the~~

c. High Quality of Production → As this system of wage payment has no concern with quantity of production, quality of production produced by the workers under this system is very high.

d. Proper utilisation of the factors of production: — As this system is not related with speed, the worker ~~perform~~ perform their work in very confident manner. They make the best utilisation of the factors of production.

e. Co-operation between Labour and Capital: — This system of wage brings the industrial peace because it satisfies the workers and the industrialists. Thus, it develops harmony and co-operation between labour and capital.

f. Co-operation and unity of workers → As all the employees doing the work for same amount of wages, this system develops the feeling of co-operation and unity among the workers.

g. Best system for Artistic work h. Health of workers.

(3.)

* Demerits of Time rate system:—

- (A.) Need of intensive supervision:— This system requires intensive supervision over workers. It increases the cost of supervision.
- (B.) Lack of incentive:— This system of wage payment makes equal payment to both the efficient and inefficient workers. Therefore, efficient workers do not get any incentive for more production.
- (C.) Encouragement of Labour unions:— This system encourages labour unions. Sometimes, these labour unions misuse their powers.
- (D.) Misuse of time by workers:— Under this system of wage payment, the workers do not make proper utilisation of their time.
- (E.) Fall in the quantity of production → Under this system of wage payment, the quantity of production decreases because the workers do not get any incentive for increasing the production.
- (F.) High cost of Production → As the production is low and the payment to the worker is more, this system increases the cost of production.
- (G.) Difficult to measure the efficiency:— Under this system of wage payment, it is very difficult to measure the efficiency of workers because all the workers of equal status are paid the wages at equal rate.

4.

(B.) Piece Rate system: — Under this system of

wage payment, the workers are ~~paid~~ paid the wages on the basis of quantity and quality of work performed by them. Under this system, the rates of wages are determined according to quantity and quality of work and workers are paid ~~to~~ according to these rates. The amount of wages to be paid to a worker under this system is calculated as under: —

$$\text{Wages} = \text{Units of production} \times \text{Rate per unit}$$

* Suitability of Piece Rate system: — This system of wage payment is very suitable in the following conditions: —

- (i) When the work is of standard nature.
- (ii) When the work can be measured easily.
- (iii) When there is a great need of increase in the production.

* Merits of Piece Rate system: — (i) This system encourages the workers to do more and more work because they get their wages according to their work.

(ii) Proper utilisation of Machines: — Under this system, the workers use their machines and equipment with proper care because they feel that if their machine is out of order, their work will be held up and their wages will be low.

(iii) Increase in the quantity of Production → The system of wage payment gets more production because all the workers make their best efforts to increase the production.

(iv) Decrease in the cost of production → This system decreases the cost of production because the maximum production is done by the workers in the minimum time. It decreases the cost per unit of production also.

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- (v) Best Utilisation of time :- As the workers are paid according to their work, they make the best possible utilisation of their time. They don't want waste their time.
- (vi) Easy and simple :- This system of wage payment is very easy to understand and very simple to calculate.
- (vii) Improvement in the standard of living of workers :- workers get more wages because they produce more. It increases their efficiency and productivity. It increase their remuneration also which improves their standard living.
- (viii) mobility of workers, (ix) measurement of the efficiency of the workers, (xi) Justified

* Demerits of piece rate system :-

- (a) Lack of unity among workers :- This system lacks the unity and mutual co-operation among workers. They feel themselves competitor to each other.
- (b) Loss of workers on the failure of machines → It because of any reason, the machines fail or the power fails, the work of workers is held up and they lose their wages.
- (c) Misuse of the factors of production → The workers do not pay proper attention towards the factors of production. They only want to increase the speed of production.
 Low quality of production.
- (d) Adverse effect on the health of workers :- This system of wage payment does not pay any attention on the quality of production. As a result of it the quality of production falls down.

(B.)

(e.) Adverse effect on the health of workers: — This system motivates the workers to do more and more work. It affects the health of workers adversely.

(C.) Incentive wage system: — There are two basic

system of wage payment - time rate and piece rate system. Both the systems have their merits and demerits. No system can be considered suitable for all times and under all circumstances. To maintain the merits ~~and~~ of both systems and to overcome the demerits of these systems of incentive wage.

These system are also known as incentive wage system, progressive wage system and bonus schemes etc. Under these systems, both the time and speed are considered as the basis of wage payment.

These system provide incentives to the workers to produce more and more maintaining the quality as well. The workers are paid bonus or premium for the additional work. It is important to note that almost all the systems incentive wage provide for minimum guaranteed wages to the workers.