

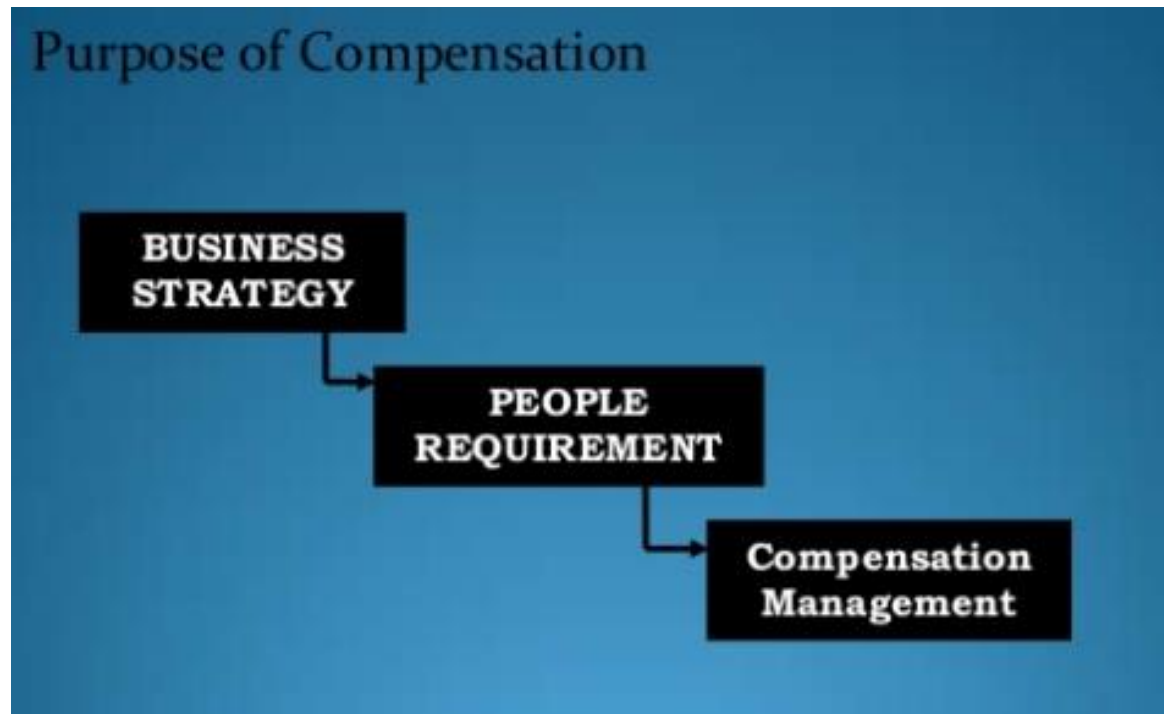
COMPENSATION

POINT TO DISCUSS

- What does it means?
- Why it is important to discuss?
- Types of compensation

Meaning

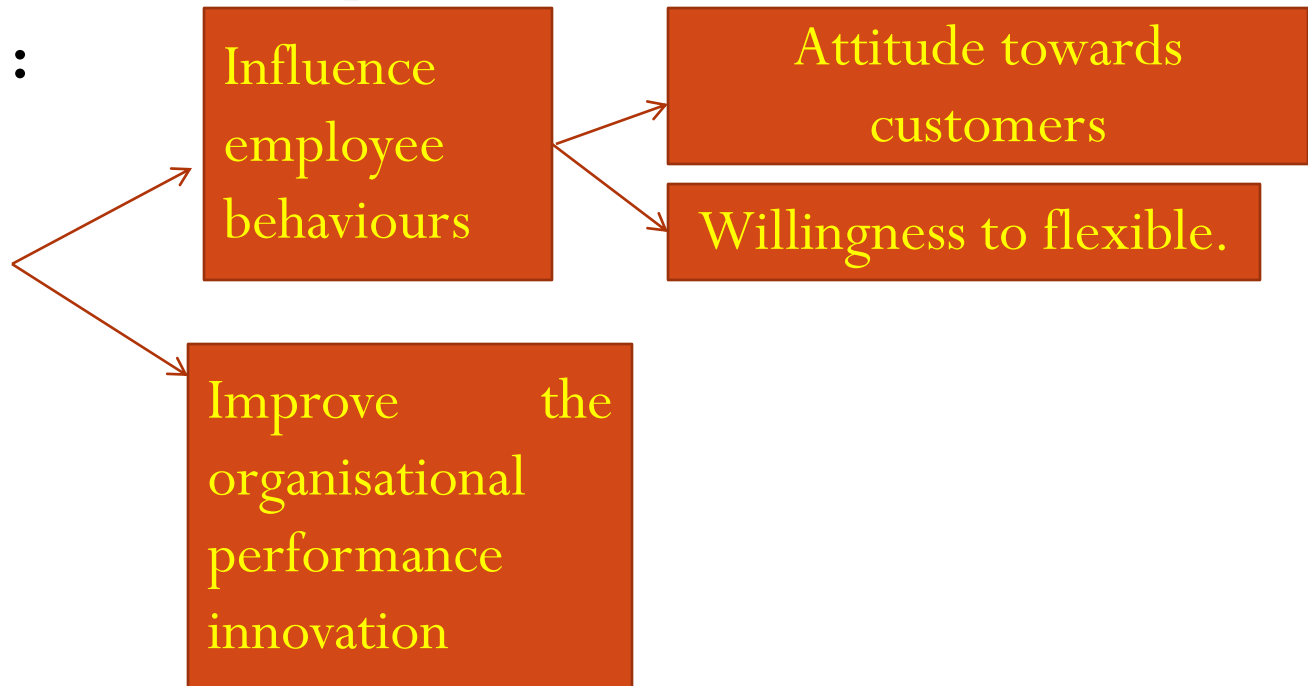
- According to Fisher (2004) “ money / goods/ services the employer gives to employees constitute compensation system.



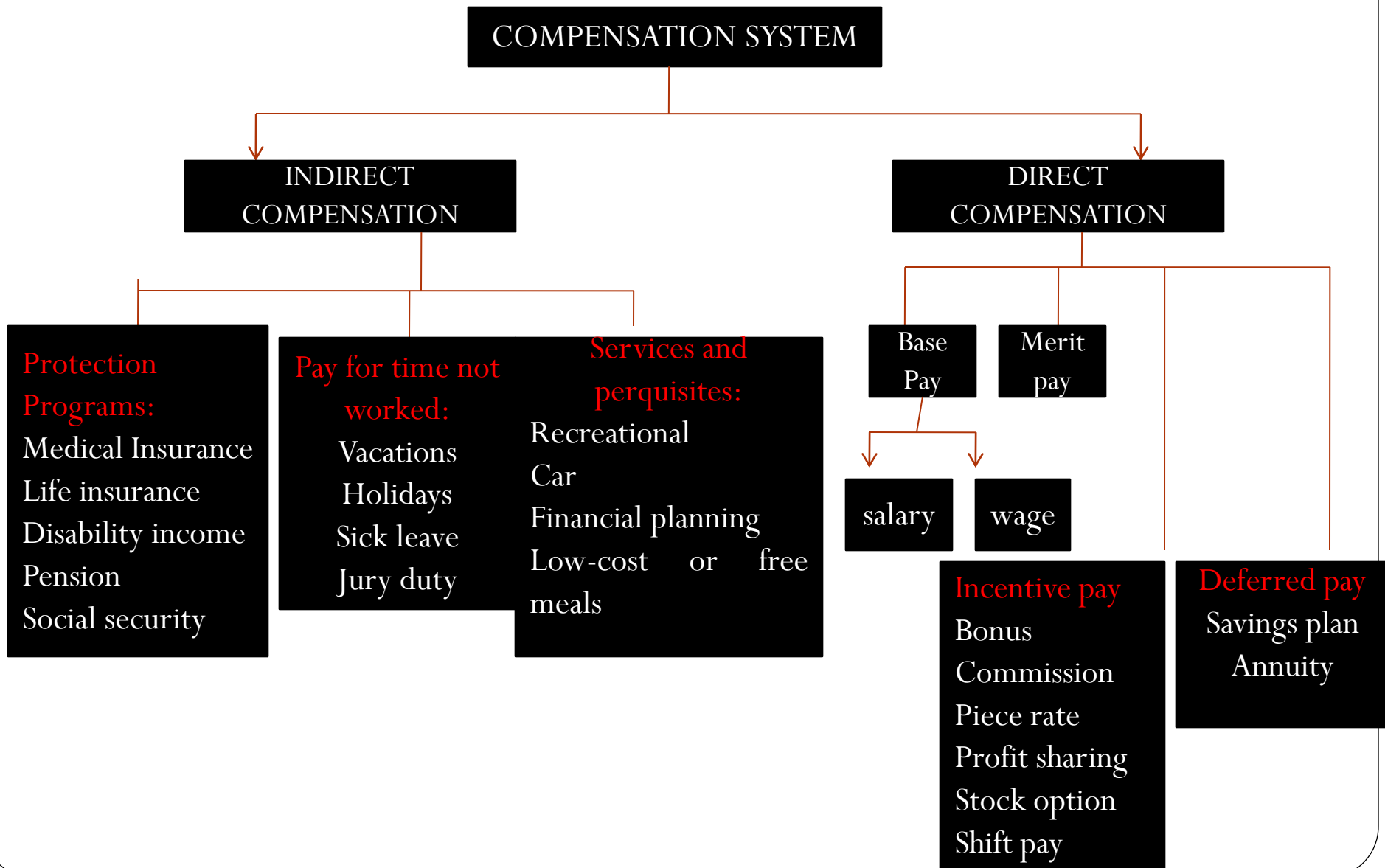
It is important to discuss

- Social Security is a monetary assistance from the state for people with an inadequate or non income.
- **Manager :**

He use it



So according to Thomas(1988)



Executive Compensation

- An executive typically is someone in the top two levels of an organization, such as Chief Executive Officer (CEO), President, or Senior Vice-President.

Executive Compensation Components



WAGE

Wages

- A **wage** is monetary compensation (or remuneration) paid by an employer to an employee in exchange for work done.
- Payment may be calculated as a fixed amount for each task completed piece rate, or at an hourly or daily rate.

Difference between Wage and Salary

- The person receiving a **salary** is not paid a smaller amount for working fewer hours, nor is he paid more for working overtime.
- Someone who is paid **wages** receives a pay rate per hour, multiplied by the number of hours worked.

Components of Wage and Salary

Basic Pay	base salary is a fixed amount of money paid to an employee by an employer in return for work performed.
Bonus	it a sum of money granted or given to an employee, a returned in addition to regular pay.
Dearness Allowance	The Dearness Allowance (DA) is a cost of living adjustment allowance paid to Government employees, Public sector employees (PSU) .
House Rent Allowance	House Rent Allowance is given by the employer to the employee to meet the expenses in connection with rent of the accommodation which the employee might have to take.
CCA	purpose of compensating them for the increased cost of living of big cities.
Fixed Medical Allowance	It is paid regularly at a fixed rate irrespective of the actual expenditure on medical treatment. It is fully taxable.
Conveyance Allowance	allowance which is granted to meet the expenditure on conveyance in performance of duties of an office .
CEA	allowance which is granted to an employee to meet the cost of education (including hostel allowance).
Fringe benefit	These include such motley crowd of employee benefit as PF, gratuity, medical care, hospitalization, accident relief, health and group insurance, canteen, uniform, recreation.
Perquisites	These are allowed to executive and include company car, club membership, paid holidays, furnished house, stock option scheme.

Types of Wages

Minimum wage	A minimum wage is the lowest hourly, daily or monthly remuneration that employers may legally pay to workers to increases the SOL, reduce poverty, boosts morale and forces businesses to be more efficient.
Fair wage	The lower limit of the fair wage must obviously be the minimum wage, the upper limit is the capacity of the industry to pay fair wage compares reasonably with the average payment of similar task in other trades or occupations requiring the same amount of ability.
Living wage	Thus living wages means the provision for the bare necessities plus certain amenities considered necessary for the wellbeing of the workers in terms of his social status.

Wages Differentials

Wage differential refers to differences in wage rates due to:

- working conditions
- type of product manufactured
- location of company
- hours of work
- different skills working in the same industry
- workers with similar skills working in different industries or regions.

types of wage differentials

Inter-Industry Differential	arise when workers in the same occupation and the same area but in different industries are paid different wages.
Inter-Personal Differentials	arise because of differences in the personal characteristics (age or gender) of workers who work in the same plant and the same occupation.
Inter-Occupational Differentials	wage differentials generally follow the changes in the relative supplies of labor to various occupations due general skill differentials. (white and blue collar)
Inter-Area Differentials	result of living and working conditions, such as unsatisfactory or isolation, disparities in the cost of living and the availability of manpower.
Inter-Firm Differentials	It reflect the differences in wage of workers in different plants in the same area and occupation.

Theories of wages

1.Subsistence Theory	also known as the "Iron Law of Wage." wages are tend to maintain the level just significant to maintain the workers at the minimum subsistence.
2. Wage fund theory	Adam Smith. a predetermined "fund" for the payment of wages. wage could be determined simply by dividing the value of this fund by the number of workers.
3.Marginal Productivity theory	Philips Hennery (England) and John Bates Clark. wages are paid at a level equal to the marginal revenue product of labor. The marginal revenue product (MRP) of a worker - $MRP = MP * MR$. workers will be hired up to the point when the marginal revenue product is equal to the wage rate. if marginal revenue brought by the worker is less than the wage rate, then employing that laborer would cause a decrease in profit.
4.Residual Claimant theory	Walker. Wages represent the amount of value created in the production, which remains after payment has been made for all these factors of production.

Theories of wages

5. Barraging theory	wages are determined by the relative bargaining power of workers or trade unions and employers.
6. Employment theory	It is based on the interrelation between wages and employment. unemployment would disappear if workers were to accept a voluntary cut in wages.
7. Competitive theory	stress in wage determinations is demand and supply.

Wage law in India

Wage law

- It is a body of law, administrative rulings which address the relationship between and among employer, employee and labor organizations.
- It harmonies the relationship between employer, employee and trade union.
- It evolves in India to response the specific needs of situation to suit requirements of planned “ economic development and social justice’.

Acts of Labour Law

- The Apprentices Act - 1961
- The Payment of Wages Act -1936
- The Workmens' Compensation Act -1923
- The Factories Act -1948
- The Industrial Disputes Act - 1947
- The Employees PF & MP Act - 1952
- The Employees State Insurance Act - 1948
- The Maternity Benefit Act - 1961
- The Payment of Bonus Act - 1965
- The Pavment of Gratuityv Act - 1972