

Human Resource Management

Designing a Wage and Salary Structure

- **Wages** – paid to blue-collar employees; paid daily, weekly or monthly; paid to jobs which can be measured in terms of money's worth .
- **Salary** – paid to white-collar employees; paid in monthly basis; paid to employees whose contribution cannot be measured easily.

Why do we need to study wage and salary administration?

- To have a scientific, rational, and balanced wage and salary structure
- In a salary administration, the employer should not feel that the employees are paid more than they deserve and the employees should not feel that they are underpaid

The Role of Human Resources in The Payment of Salaries

- One of the most important functions of Human Resources is the payment of the proper salaries and the wages to all company employees. The pay that the employees receive from their employer is the very reason for their being in the job.
- The function of the payroll in a company is usually the wage and salary administration and it is carried out by the Human Resources Department.

Procedure in Conducting Wage and Salary Surveys

1. Defining the labor market
2. List of key Job Position
3. Detailed Description of Jobs
4. Collection of Salary Data
5. Compilation of Salary Data
6. Results of Survey

Considerations in Making Decisions

- Whether the salaries will be above, below, or the same level
- Whether pay in a single rate for each job
- How many pay grades or salary ranges to use, and how wide each pay grade should be
- The range of the amount in terms of money value

The Development of Wage and Salary Structure

Advantages

1. Affects the worker's and standard of living
2. Eases the recruitment and maintenance of an effective labor force
3. Develops employee morale and increases work efficiency
4. Represents and competitive advantage in the industry
5. Helps in preparing budgetary allocations
6. Eliminates pay distortions and inequities in employee compensation
7. Establishes an equitable salary range for various jobs

Methods of Wage Payment

What is Wage Payment?

- It is the way of giving financial compensation to the workers for the time and effort invested by them in converting materials into finished products
- The main purpose of a formal wage and salary management plan is to have a systematic method of payment to ensure that employees receive a fair wage and salary for the work they perform

Two Methods of Paying Salaries

- By the time worked
- By the amount of work produced

First Method of Paying Salaries

- **By the time worked** – wages are computed in terms of unit of time
- No matter how hard an employee works during an hour, the pay will be computed by the hourly rate and no more
- Wage under this plan are computed by multiplying the number of hours worked by the rate hour:

$$H \times R = W$$

H – hours actually worked

R – rate per hour

W – total wages earned

Second Method of Paying Salaries

- **By amount of work produced**– a method of paying wages where earnings depend on how much work the employee completes or on a related factor, such as the quality of work.
- The formula for computing salaries under piecework is as follows:

$$N \times R = W$$

N – number of units produced

R – rate per unit

W – wages earned per day or per week

Characteristics of The Wage and Salary Policy

- The wage and salary plan must be easily understood
- Salaries in the wage plan should be easily computed
- Salaries should be made relevant with effort
- The method of payment should be stable and unvarying

Labors and Wages

In the past, the terms used to classify/the type of vocations are:

- **Blue Collar:** Manual Laborers
- **White Collar:** Office Workers
- **Pink Collar:** jobs associated with women (e.g. nursing, secretarial, etc.)

Labor and Wages

In the present time, work roles are classified into 3 categories:

- **Skilled Labor:** workers who received specialized training to do their jobs; developed & improved a special skill; This may be blue/white collar workers.
- **Unskilled Labor:** workers who received no special training; have few specific skills. These are blue collar workers.
- **Professionals:** Perhaps the elite of the labor grades. Workers who need to do an advanced degree to do their jobs. These are white collar workers.

Overtime Pay

- All employees required to work beyond eight hours in one workday is entitled to overtime pay.
- Work may be performed beyond 8 hours a day provided that the employee is paid for the overtime work an additional compensation equivalent to his regular wage. Work performed beyond 8 hours on a holiday or rest day shall be paid an additional compensation equivalent to the rate for the first 8 hours on a holiday or rest day.

Questions?



<http://www.slideshare.net/iamlessa/wages-and-salaries-administration>