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SUBJECT- BUSINESS ORGANISATION

METHODS OF REMUNERATING LABOUR-3

* JOB EVALUATION

This is a technique which seeks to show the relative worth of each job so as to rank it against other jobs and ultimately establish the appropriate weight of remuneration to attach to the job. Job evaluation analyses the content of each job using yardsticks such as degree of responsibility, decisions involved, training and experience required, working conditions etc, awarding points for each yardstick.

* MERIT RATING

whilst job evaluation assesses the worth of the job, merit rating measures the job-holder's performance so as to determine whether the employee should be promoted, demoted or given a special award. It also uses its own yardsticks on the performance and attributes of the employee like accuracy, initiative, level of responsiveness, willingness etc. Most industries employ rating techniques at the end of each year in order to determine the progress of each employee within the salary structure.

* WORK STUDY.

This is a system of increasing or maximizing the productivity of an operating unit by re-organizing the work of that unit. Work study is sub-divided into two major methods namely methods study and work measurement.

* <u>Method Study</u>

This is the recording and critical examination of existing methods of doing work and comparing same with proposed methods with a view to coming up with easier methods which would be more effective and cheaper on the long-run.

* <u>Work measurement</u>

As the name suggests, work measurement seeks to measure the time required for a qualified worker to complete a specific assignment at a specified level of performance.

* <u>Labour Cost Computation</u>

There are two basic methods of remunerating labour; time-based remuneration and output based remuneration.

* <u>Time Rate Methods of Remuneration</u>

The amount earned by the employee is based on the number of hours spent at his place of work and not on the quantity of work produced. The Gross wage is calculated as Hours worked x Rate per hour. However when overtime is worked, the payment to the employee will also include premium on the overtime hours.

Advantages of Time rate methods of remuneration are:
- ✓ It is simple to operate and easy to understand
- ✓ The quality of work produced tends to be higher since the worker is not in a rush to complete a job in order to maximize his earnings.

Disadvantages of Time rate methods of remuneration are:

→ There is no finanancial incentive to produce more than a minimum amount. In fact, there is often an incentive to produce as little as possible so that the worker can increase his wage.

→ To monitor and check idleness the employer will be obliged to incur supervision cost.

→ The method is often unfair because lazy workers and hard workers are paid the same rates.