

SUBJECT: BUSINESS ORGANISATION

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METHODS OF REMUNERATING LABOUR-5

\* Overtime Remuneration Schemes

Overtime is the time spent beyond the normal working hours on days. Overtime wage rates are expressed as time plus a fraction or in multiples of time, eg.

- Time and one half
- Time and one third
- Double time
- Time and one fifth etc.

\* Meaning of Time

Time refers to the basic rate eg. if the normal rate of pay is MUR 500 an hour, then the time is MUR 500. Meaning of Additional Rate - The additional rate is called the overtime premium and whatever it is the amount involved is arrived at by multiplying the description by the basic rate eg. The overtime is time and one half, the basic rate is MUR 500. The premium shall be

$$\text{MUR } 250 = \frac{1}{2} \times \text{MUR } 500.$$

## \* Overtime Premium

It is the portion of the overtime pay over and above the basic rate of pay. Basically, overtime premium is treated as indirect wages. The only time it is treated as direct wages is when the overtime is worked according to the customer's request to complete his order within a specified period.

## \* Group Incentive Schemes

These are bonuses awarded to a team of employees rather than individual employees. The incentives are enjoyed by every member of the team based on an agreed formula of sharing.

### Advantages of Group Incentive Schemes

- ↳ It enhances team spirit among employees and organizational cohesiveness.
- ↳ Quality of output is not unduly compromised.
- ↳ Compared to individual incentive schemes, it is relatively easy and less expensive to administer.
- ↳ It avoids unhealthy competitive rivalry among employees.

### Disadvantages of Group Incentive Schemes

- ↳ Lazy team members are rewarded the as hard-working group members.
- ↳ This does not provide motivation for individual hard-work.

## \* Individual Incentive Scheme

These are bonus schemes that reward individual employees for their efficiencies.

### Advantages of Individual Incentive Schemes

- Individual employees are motivated to be more and more efficient and productive.
- It may generate competitive spirit among employees.
- Employee morale is raised since individual effort is rewarded.
- Ultimately, both the employee and the business organisation obtain enhanced benefits.

### Disadvantages of individual incentive schemes

- Employees may compromise on quality in an effort to increase their bonus earnings.
- Excessive competition can bring about unhealthy rivalry.
- The determination of standard performance levels for the purpose of determining efficiency levels can conflict in the organisation.
- It is relatively more difficult and expensive to operate an individual incentive scheme compared to a group incentive schemes.

## \* Direct and Indirect cost of labour.

As already discussed, labour cost is either direct or indirect.

The direct labour cost is the labour cost incurred on employees who are engaged in directly transforming the raw materials into finished goods. It must be noted that, is only the basic wage paid to direct workers that constitute direct labour cost. Policy related cost incurred on direct workers is not direct labour but rather indirect labour. Examples of these

Policy related costs include:

- ↳ workers compensation premium paid to insurance companies.
- ↳ employer's social security fund contribution
- ↳ Bonuses paid to employees.
- ↳ Overtime premium paid to employees where the overtime is worked regularly as company policy etc.

wage cost incurred on indirect workers is indirect wage.