

A Study on the Impact of Wages & Salary Admin in Current Organisation System

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Abstract:

This unit starts with the discussion on the concepts of wages. Then the different theories of wage payments and wage determination process are described elaborately. Wage payment procedures and types of wage are two important issues which are discussed in detail in this unit. In the last part of this unit, we have discussed on wage differentials. 'Wage and Salary Administration' refers to the establishment and implementation of sound policies and practices of employee compensation. The basic purpose of wage and salary administration is to establish and maintain an equitable wage and salary structure. Wages and salaries are often one of the largest components of cost of production and such have serious implications for growth and profitability of the company. On the other hand, they are the only source of workers' income. After the independence and particularly after 1948, some new terms relating to wages began to be used.

These are:
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2. Basic Minimum Wages
3. Minimum Wages

4. Fair Wages

Key words: Financial Markets and functions, financial Policy, equity analysis , Equity Markets...

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employee compensation. The basic purpose of wage and salary administration is to establish and maintain an equitable wage and salary structure. Wages and salaries are often one of the largest components of cost of production and such have serious implications for growth and profitability of the company. On the other hand, they are the only source of workers' income.

After the independence and particularly after 1948, some new terms relating to wages began to be used. These are:

- 1.Statutory Minimum Wages
2. Basic Minimum Wages
3. Minimum Wages
4. Fair Wages
5. Living Wages
6. Need Based Wages

1. Statutory Minimum Wages: By it we mean the minimum amount of wages which should essentially be given to the workers as per provisions of the Minimum Wages Act, 1948.

2. Basic Minimum Wages: This minimum wage is fixed through judicial pronouncement, awards, industrial tribunals and labour. The employers are essentially to give this minimum wage to the workers.

3. Minimum Wages: The concept of minimum wages has developed due to different standards in different countries. In Indian context, minimum wage means the minimum amount which an employer thinks necessary for the sustenance of life and preservation of the efficiency of the worker. According to Fair Wage Committee, the minimum wages must also provide for some measures of education- medical requirements and amenities.

4. Fair Wages: In order to bring about improved relations between labour and management an effort has been made in modern times that the labour gets a fair deal at the hands of owners and managers of industries. Various proposals were undertaken at the Industries Conference in 1947 and a resolution

known as the Industrial Truce Resolution was passed. It is provided for the payment of fair wages to labour. The government of India appointed a Fair Wages committee in 1948 to determine the principles on which fair wages should be based and to suggest the lines on which those principles should be applied. According to the report on this Committee, Fair Wages is that wages which the laborer gets for his work just near to minimum wages and living wages. Generally, the current rate of wages being paid in the enterprise is known as fair wages.

5. Living Wages: According to Fair Wage Committee Report, "The living wage should enable the male earner to provide for himself and his family not merely the bare essentials of food, clothing and shelter, but also a measure of frugal comfort including education for children, protection against ill health, requirements of essential social needs and a measure of insurance against the more important misfortunes including old age." According to the Committee on Fair Wages, the living wages represent the highest level of the wages and include all amenities which a citizen living in a modern civilized society is to expect when the economy of the country is sufficiently advanced and the employer is able to meet the expanding aspirations of his workers. The Living Wage should be fixed keeping in view the National income and the capacity of the industry to pay.

6. Need Based Wages: The Indian Labour Conference at its 15th session held at New Delhi in July, 1957 suggested that minimum wage fixation should be need based. Following are the important points of the Resolution of the Conference. a) The standard working class family should include three consumption units for the one earner. b) Calculation of minimum food requirements should be made on the basis of the recommendation of Dr. Aykroyed i.e. 27000 calories for an average Indian adult.

c) Calculation of cloth should be made @ 18 yards annually for one member. As such, a family consisting of four members will require 72 yards of cloth.

d) The workers should get minimum rent as per guidelines fixed by the government in the industrial housing policy.

e) Expenses for fuel, light and so on should be equal to 20% of the entire minimum wages.

The need of the study is to understand the nature, scope, and objectives of Human Resources Management with close view of wage and salary administration. The main need is to describe the

nature, importance, objectives, and methods and types of wage and salary, and to know how effectively 'NEOSPARK' satisfy employees in their organization.

- 1 The need is to know the importance of Human Resources Management in respect of Wage and Salary administration.
- 2 The main need is to know how the organization motivates the employees by providing remuneration.
- 3 To know how organization utilize Human Resources effectively.
- 4 To identify and describe the factors that affect wage and salary administration.
- 5 To know how employees gain job satisfaction through wage and salary.
- 6 To know how the organization attains its goals by providing remuneration to their employees.
- 7 To know how the NEOSPARK administrates the wages and salaries.

OBJECTIVES OF THE STUDY

- 1 To evaluate the organization wage and salary administration.
- 2 To know how the organization attains its goal by providing remuneration to their employees.
- 3 To know how the managerial resources of the organization are utilized optimally.
- 4 To measure the satisfaction of employees in respect of their remuneration.
- 5 To study the different function of the employees in respect of their remuneration.
- 6 To study on which basis they are paying wages and salaries.
- 7 To study the different methods of wage and salary administration in organization.

RESEARCH METHODOLOGY

SOURCES OF DATA:

After going through different methods of data collection it was decided that both primary and secondary data are suitable for this survey. A questionnaire is administered on a random sample of respondents. Based on the responses to the questionnaires, and the best practices followed in the industry, a proposal to make necessary improvements in the HR policy is put forward to the management in Neospark Drugs and Chemicals Private Limited.

PRIMARY DATA:

- 1 The primary data was collected mainly with interactions and discussions with the company's executive.
- 2 The respondents were posted a number of open ended, closed ended and scaled questions in the form of a questionnaire, which they were asked to fill.

SECONDARY DATA:

- 1 Some of the information regarding the theoretical aspects was collected by referring standard textbooks and reference books.
- 2 The company reports, office manuals and academic texts formed the main source of secondary data.

SAMPLING TECHNIQUES:

The sampling technique used in this survey is random sampling. A sample of 100 respondents has been selected. Even though the sample size is small it is used to draw conclusions.

SCOPE OF THE STUDY

The scope of the study is limited to Neospark Drugs and Chemicals Private Limited. The study covers the need of the study, the importance of the study to find out the objectives of the study, the methodology of the study and the limitations of the study to know whether the data is collected primarily or secondarily. The next is the study of review of the literature to know what human Resources Management that tells about the broader view of wage and salary administration. The study of analysis and INTERPRETATION covers what wage and salary administration is, and its importance, objectives, types and methods that are followed in the organization. The study covers both executives and non-executives.

In the present study of wage and salary administration in the Neospark Drugs and Chemicals Private Limited the following limitations are there.

- 1 Time is also one of the constraints. Duration of 45 days is not sufficient to cover all aspects of the study.
- 2 The managers of the organization are busy with their work schedule so, it was difficult

to collect detailed data about wage and salary.

- 3 Neospark Drugs and Chemicals Private Limited strictly follows the rules and regulations; this is also a limitation when collecting the information about wage and salary administration.
- 4 Since the study was on organizational matters, some of the responses could have been biases, as the respondent could have felt reluctant to give the right information.
- 5 A few respondents of the study were not willing to give genuine answer to some of the questions in the questionnaire. This could also be another limitation to the study

HISTORY OF CHEMICALS AND DRUGS COMPANIES:

“The Indian Chemicals and Drugs industry is a success story providing employment for millions of employees and ensuring that essential drugs at affordable prices are available to the vast population of this sub-continent.”

Richard Gerster:

At the turn of century the Indian drug industry is set up through the pioneering works of scientists like Achary.P.C.Roy and Prof. T. K. Gujjar. However after independence, the nascent Indian Pharma industry could not evolve the meaning full levels of function, but drugs were imported by Glaxo, Pulitzer, Parke-Davis and Allenburys ruled out the roost-drugs like streptomycin and tetracycline, which were sold with out the cutting edge of competitive antagonism at four times the M.R.P.

This was followed by the acute shortage of drugs following indirect cartelization in the industry. This lead to the inclination towards indigenous production, Hindustan antibiotics was set up with W.H.O and UNCF in 1954.subsequently Indian drugs and veterinary Chemicals and Drugs ltd (IDPL) was set up with soviet technology in 1961.

With the setting up of Indian public sector, antibiotic prices came crashing down in some cases by 60-70%. The MNC's in order to survive in the market slashed their prices. Interestingly it was in the 1960's the Indian private sector also started growing. Unlike the foreign sector, they also set up substantial capacities for production of bulk drugs.

In 1970 with the production of the PATENT ACT 1970 this sector began to bloom. This act allowed Indian companies to register product if proved that the process used was marginally different from the original product manufacture of the MNC's were restricted in their equity remained above 40%(no longer applicable the government also insisted that 10% of production in actual line of formulations should be for bulk drugs in case of MNC's).

The PATENT ACT 1970 had its own demerits, but this act definitely helped the Indian Pharma companies to start learning to copy the molecular structure of compounds. The Indian veterinary Chemicals and Drugs sector has come a long way. Being almost non-existing during 1970, to a prominent provider of health care products. Meeting almost 95% of country's Chemicals and Drugs needs.

The global output of the Indian industry ranks 4th in terms of volume and 13th in terms of value. Indian veterinary Chemicals and Drugs industry had over 20,000 units. Around 260 constitutes organized sector, while others existing in the small-scale sector.

The Indian market can be divided into bulk drugs segment and formulations. The industry produces about 60,000 finished medicines and roughly 400 bulk drugs, which are used in the formulations. India is one of the top five producers of bulk drugs in the world. the total market for bulk drugs is over US\$1.1 bn per annum .in 2003, the total output of bulk drugs was Rs 60 billion and that of formulations was Rs230 billion.

The top 10 places account for the 36% of formulation market in contrast with global scenario, where to 10 top players account for 49% of Chemicals and Drugs market. Most of the domestic demand of the formulations market is met by the domestic industry.

Major therapeutic segments are given in table below:

SWOT ANALYSIS

Strengths

- 1 Cost Competitiveness
- 2 Well Developed Industry with Strong Manufacturing Base
- 3 Access to pool of highly trained scientists, both in India and abroad.

- 4 Strong marketing and distribution network
- 5 Rich Biodiversity
- 6 Competencies in Chemistry and process development.

Weaknesses

- 1 Low investments in innovative R&D and lack of resources to compete with MNC's for New Drug Discovery Research and to commercialize molecules on a worldwide basis.
- 2 Lack of strong linkages between industry and academia.
- 3 Low medical expenditure and healthcare spend in the country
- 4 Production of spurious and low quality drugs tarnishes the image of industry at home and abroad.
- 5 Shortage of medicines containing psychotropic substances. There are 4000 such brands of medicines that fall under the Narcotics Drugs and Psychotropic Substances (NDPS) Act, 1985. Under a clause of this Act, the retailer has to sign the consignment note provided by the stockiest. The police check this note regularly to prevent these medicines getting diverted to the drug mafia and they can arrest the retailer if the signatures are under suspect. To protest against this clause, the retailers have stopped stocking these medicines, some of which is life saving.

Opportunities

- 1 Significant export potential.
- 2 Licensing deals with MNC's for NCE's and NDD'S.
- 3 Marketing alliances to sell MNC products in domestic market.
- 4 Contract manufacturing arrangements with MNC's
- 5 Potential for developing India as a centre for international clinical trial
- 6 Niche player in global Chemicals and Drugs R&D.
- 7 Supply of generic drugs to developed markets

Threats

- 1 Product patent regime poses serious challenge to domestic industry unless it invests in research and development

- 2 R&D efforts of Indian Chemicals and Drugs companies hampered by lack of enabling regulatory requirement. For instance, restrictions on animal testing outdated patent office.
- 3 Drug Price Control Order puts unrealistic ceilings on product prices and profitability and prevents Chemicals and Drugs companies from generating investible surplus.
- 4 Lowering of tariff protection
- 5 The new MRP based excise duty regime threatens the existence of many small scale pharma units, especially in the states of Andhra Pradesh and Maharashtra that were involved in contract manufacturing for the larger, established player

The Indian Chemicals and Drugs industry is a successful, high-technology-based industry that has witnessed consistent growth over past three decades. The current industry players comprise several privately owned Indian companies that have captured a substantial share in the domestic Chemicals and Drugs market due to factors such as favorable government policies and limited competition from overseas. However, the liberalization of the Indian economy is revolutionizing Indian industries as they begin to emerge from domestic markets and gear up from international competition.

KEY STRENGTHS: -

- 1 Well-developed industry with strong manufacturing base.
- 2 Well-established network of laboratories and R&D infrastructure.
- 3 Highly trained pool of scientists and professionals.
- 4 Strong marketing and distribution network.
- 5 Very strong reverse engineering skills.
- 6 Potential ground for clinical trials.
- 7 Fast growing health care industry.
- 8 Cost competitiveness.
- 9 Rich biodiversity.

- 10 A growing biotechnology industry.

EXPORT SCENARIO:

The exports constitute almost 40% of the total production of Chemicals and Drugs in India. In the past 5 years the Pharma exports grew by 30% per annum. India Chemicals and Drugs exports were to the tune of Rs .140 billion in 2003, of which formulations contributes nearly 55% and the rest 45% comes from bulk drugs.

The export revenue now contributes almost half of the total revenue for the top 3-pharma majors. Ranbaxy and Cipla. The formulations and exports are largely to developing nations in CIS, south East Asia Africa, and Latin America. In the past 3 years generic exports to developed countries have picked up. In the coming years, opening up of US generics market and anti AIDS market in Africa keeping of exports high. Government has taken very important and pertaining steps in the budget to improve the profitability of Indian drug companies encourage research and development and expand the exports and attract large investments from countries abroad.

PATENTS:

Depending on a number & considerations, a company may apply for be granted a patent for the drug, or the process of producing the drug, for about 20 years.

Only after rigorous study & testing, which can take as long as 12yrs, will governmental authorities grant permission for the company to market & sell the drug. India is fast moving towards patent regime post 2005 in compliance with WTO. The government has already started granting exclusive marketing rights to companies based on the merit of each case. For example, Novartis has received exclusive marketing rights for its drug Glivec.

FUTURE OUTLOOK:

During 1999-2007, drugs with annual sales of \$30 billion would go off patent. The Indian Pharma industries, with its reverse engineering skills are relatively low cost structure is ideally placed to tap the generics market.

- 1 Indian companies are climbing the value chain by moving to developed markets and from bulk drugs to formulation exports. As a result, Indian companies are expected to produce six of the top 10 drugs that are scheduled to lose patent protection over the next five years. Indian companies are targeting opportunities rising in the regulated and unregulated markets. Research focus of large companies has shifted towards discovery of new channel entities in preparation of product patent era to commence from 1st Jan 2005.
- 2 The big players will speed up the launch of new products and will look at brand acquisition from other relatively small players. The latter will either close down or be taken over by larger players. Hence the currently fragmented industry may consolidate further.
- 3 As more drugs are taken off the list, the DPCO will reduce in importance. But a system of government control to check against abuses of monopoly pricing will remain especially after 2005.

PRODUCTION:

The Indian Pharma industry produces both bulk drugs and formulations. It has shown good growth over the years. The total production of formulations was Rs.10 crores and bulk drugs was 18 crores in the year 1965-66 and it has grown to an estimated Rs 8000 crores in 1963-64 to Rs 2190 crores in formulation and approximately 1600 crores in 1994-95. The growth is commendable considering the government regulations like drug price control order (D.P.C.O) licensing, reservation, for public sector and low profitability of Chemicals and Drugs industry.

In spite of hurdles like D.P.C.O, the industry has shown good growth over the years. But when compared to developed countries of the world the Indian Chemicals and Drugs (production in industry is very small.

It accounts only 12% of the world Chemicals and Drugs production. The total world production of Chemicals and Drugs in 1990-91 was \$174000 millions. India's was \$2140 millions while it accounts for more than 15% of the world population.

The Indian Chemicals and Drugs sector is highly fragmented with more than 20,000 registered units. It has expanded drastically in the last two decades.

The Chemicals and Drugs industry in India meets around 70% of the country's demand for bulk drugs, drug intermediates, Chemicals and Drugs formulations, chemicals, tablets, capsules, orals and injectibles. There are about 250 large units and about 8000 Small Scale Units, which form the core of the Chemicals and Drugs industry in India (including 5 Central Public Sector Units). These units produce the complete range of Chemicals and Drugs formulations, i.e., medicines ready for consumption by patients and about 350 bulk drugs, i.e., chemicals having therapeutic value and used for production of Chemicals and Drugs formulations.

Following the de-licensing of the Chemicals and Drugs industry, Manufacturers are free to produce any drug duly approved by the Drug Control Authority.

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