

K.T.S.P. Mandal's
Hutatma Rajguru Mahavidyalaya
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Prof. G.M. Dhumal
(Head, Department of Commerce)
ganeshakole@gmail.com

Topic 3 – Other Aspects of Labour

Other Aspects of Labour

❖ **Labour Turnover –**

It is a common feature in any concern that some employees leave the concern and others join it. Workers change the job either for personal betterment or for better working conditions or due to compulsion. Labour turnover is the ratio of the number of persons leaving in a period to the average number employed. It is the change in the composition of the labour force in an organisation. It can be measured by relating the engagements and losses in the labour force to the total number employed at the beginning of the period. All the losses must be taken into account regardless of the cause for leaving.

Example -

If 20 employees leave an organisation in a year and the average labour force is 400, then the labour turnover is 5%.

An index or norm may be fixed depending on the usual labour turnover in the industry or the labour turnover in the past. The rate of labour turnover depends on a number of factors like the nature of the industry, its size, location, nature of labour etc. A high labour turnover must be investigated. A low labour turnover points out the lack of flexibility or it may be due to inefficient workers not willing to leave the organisation.

Labour turnover reduces the labour productivity and increases costs. Hence, it should be kept at a minimum level.

• **Causes of Labour Turnover –**

The main causes of labour turnover in an organisation/industry can be broadly classified under the following three heads:

- a. Personal Causes
- b. Unavoidable Causes, and
- c. Avoidable Causes

(a) Personal causes are those which induce or compel workers to leave their jobs such causes include the following:

- i. Change of jobs for betterment.
- ii. Premature retirement due to ill health or old age.

- iii. Domestic problems and family responsibilities.
- iv. Discontentment over the jobs and working environment.

(b) Unavoidable causes are those under which it becomes obligatory on the part of management to ask some or more of their employees to leave the organisation, such causes are summed up as listed below :

- i. Seasonal nature of the business;
- ii. Shortage of raw materials, power, slack market for the product etc :
- iii. Change in the plant location;
- iv. Disability, making a worker unfit for work;
- v. Disciplinary measures;
- vi. Marriage (generally in the case of women).

(c) Avoidable causes are those which require the attention of management on a continuous basis so as to keep the labour turnover ratio as low as possible. The main causes under this case are indicated below;

- i. Dissatisfaction with job, remuneration, hours of work, working conditions, etc
- ii. Strained relationship with management, supervisors or fellow workers;
- iii. Lack of training facilities and promotional avenues;
- iv. Lack of recreational and medical facilities;
- v. Low wages and allowances.

Proper and timely management actions reduce the labour turnover appreciably so far as avoidable causes are concerned.

- **Effects of Labour Turnover –**

It increases cost of production due to the following reasons:

- (i) Cost of selecting/replacing workers
- (ii) Cost of training imparted to new workers
- (iii) Production planning cannot be properly executed and this results in production loss
- (iv) Loss due to defectives and wastage
- (v) Loss due to mishandling of tools, equipment's, breakages, etc.

- **Measurement of Labour Turnover –**

Method –

1. Separation Rate Method –

$$= \frac{\text{Separation during a given period}}{\text{Average number of workers during the period}}$$

2. Net Labour Turnover Rate Method or Replacement Method –

$$= \frac{\text{Number of replacements during a given period}}{\text{Average working force during the period}} \times 100$$

3. Labour Flux Rate Method –

$$= \frac{\left(\text{Number of separation during a period} \right) + \left(\text{Number of new employees during a given period} \right)}{\text{(Average number of workforce during the given period)}} \times 100$$

- **Costs of Labour Turnover -**

The cost of labour turnover can be either preventive costs or replacement costs. Preventive costs are incurred to keep the workers satisfied and discourage them from leaving the concern. Replacement costs are incurred for recruiting and training labour and the loss arising due to wastages, reduced productivity of new labour force.

Examples of Preventive Costs -

- (i) costs of providing medical services;
- (ii) personnel administration cost;
- (iii) cost of labour welfare activities;
- (iv) costs incurred for providing pension, provident fund and retirement schemes.

Examples of Replacement costs -

- (i) Decline in output due to inexperience of new workers.
- (ii) Decline in quality due to the lack of experience of new workmen.
- (iii) Loss of output during the time lost while recruiting new workers.
- (iv) Cost of recruitment/selection.
- (v) Cost of training.
- (vi) Cost of tool, equipment and machine breakages.
- (vii) Waste, scrap and defectives arising due to lack of experience of new workers.

(viii) Cost of accidents, compensation paid, damage to property, assets etc.

- **Remedial steps to minimise labour turnover –**

The following steps are useful for minimising labour turnover.

1. **Exit Interview:** An interview may be arranged with each outgoing employee to ascertain the reasons of his leaving the organisation.
2. **Job analysis and evaluation:** Before recruiting workers, job analysis and evaluation may be carried out to ascertain the requirements of each job.
3. **Scientific system of recruitment, placement and promotion:** The organisation should make use of a scientific system of recruitment selection, placement and promotion for employees.
4. **Enlightened attitude of management:** The management should introduce the following steps for creating a healthy working atmosphere. Service rules should be framed, discussed and approved among management and workers, before their implementation. Provide facilities for education and training of workers. Introduce a procedure for settling workers grievance.
5. **Use of Committee:** Issues like control over workers handling their grievances etc., may be dealt by a committee, comprising of members from management and workers.

- ❖ **Job Analysis and Job Evaluation –**

- **Job Analysis -**

Job analysis is the process of identifying and determining in detail contents of a particular job, thereby, clearly defining duties, responsibilities, accountabilities, and skills associated with the job. An important aspect of job analysis is that the analysis is conducted of the job, and not of the person. The process of job analysis results in two sets of data:

- **Job description** - It is a written statement containing complete information about what all a job involves including job title, duties, tasks and responsibilities related to job, working conditions and hazards, reporting relationships, tools, machines and equipment's to be used, and relationships with other positions.
- **Job specification** - It provides particulars about capabilities that an individual should possess to perform the job efficiently. This includes educational qualification,

experience, training, appropriate skills, knowledge, and abilities required to perform the job.

- **Purpose of job analysis**

The purpose of job analysis is to establish and document the ‘job relatedness’ of employment procedures such as training, selection, compensation, and performance appraisal.

1) Determine training needs

Job analysis can be used in training “need assessment “to identify or develop:

- Training content
- Assessment test to measure effectiveness of training
- Equipment to be used in delivering the training
- Method of training (i.e., small group, computer-based, video, classroom...)

2) Compensation

Job analysis can be used in compensation to identify or determine:

- Skill levels
- Compensable job factors
- Work environment (e.g., hazards ;attention; physical efforts)
- Responsibility (e.g. .,fiscal; supervisory)
- Required level of education(indirectly related to salary level)

3) Selection procedures

Job analysis can be used in selection procedures to identify or develop:

- Job duties that should be include in advertisements of vacant positions;
- Appropriate salary level for the position to help determine what salary should be offered to a candidate;
- Minimum requirement (education and / or experience) for screening applicants
- Interview questions;
- Selection test/instruments (e.g., written tests ; oral tests; job simulations);
- Applicant appraisal/evaluation forms;
- Orientation materials for applicants/new hires

4) Performance review

Job analysis can be used in performance review to identify or develop:

- Goals and objectives
- Performance standards
- Evaluation criteria
- Length of probationary period
- Duties to be evaluated

- **Method of job analysis -**

Several methods exist that may be used individually or in combination. These include:

- Review of job classification systems
- Incumbent interviews
- Supervisor interviews
- Expert plans
- Structured questionnaires
- Task inventories
- Observation
- Incumbent work logs

- **Job Evaluation -**

It is a systematic and orderly process of determining the worth of a job in relation to other jobs. The objective of this process is to determine the correct rate of pay. It is therefore not the same as job analysis. Rather it follows the job analysis process, which provides the basic data to be evaluated.

In simple words, job evaluation is the rating of jobs in an organization. This is the process establishing the value or worth of jobs in a job hierarchy and compares the relative intrinsic value or worth of jobs within an organization. Some renowned definitions of job evaluation are described below.

Scott, Clothier and Priegel defines job evaluation as “the operation of evaluating a particular job in relation to other jobs either within or outside the organization”.

Edwin B.Flippo defines job evaluation as “a systematic and orderly process of determining the worth of a job in relation to other jobs”.

- **Objectives of job evaluation -**

The objectives of job evaluation, to put in a more systematic manner are to:

1. Establish a standard procedure for determining the relative worth of each job in an organization;
2. Ensure equitable wage for a job and reasonable wage differentials between different jobs in a hierarchical organization;
2. Determine the rate of pay for each job which is fair and equitable with relation to other jobs in the plant, community or industry;
4. Eliminate wage inequalities;
5. Use as a basis for fixing incentives and different bonus plans;
6. Promote a fair and accurate consideration of all employees for advancement and transfer;
7. Provide information for work organization, employees“ selection, placement, training and other similar purposes;
8. Provide a benchmark for making career planning for the employees in the organization and;
9. Ensure that like wages are paid to all qualified employees for like work.

- **Principles of job evaluation –**

The job evaluation has certain principles. These principles are supposed to be kept in the mind of the job evaluators. These principles are not only directives of proper job evaluation but also provide clarity in the process of evaluation.

According to Kress, these principles are:

1. Rate the job and the jobber. Each element should be rated on the basis of what the job itself requires;
2. The elements selected for rating purposes should be easily explainable in terms and a few in numbers as will cover the necessary requisites for every job without any overlapping;
3. The elements should be clearly defined and properly selected;

4. Any job rating plan must be sold to foremen and employees. The success in selling it will depend on a clear-cut explanation and illustration of the plan;
5. Foreman should participate in the rating of jobs in their own departments;
6. Maximum co-operation can be obtained from employees when they themselves have an opportunity to discuss job ratings and;
7. Too many occupational wages should not be established. It would be unwise to adopt an occupational wage for each total of point values.

• **Advantages of job evaluation –**

1. Job evaluation being a logical process and objective technique helps in developing a equitable and consistent wage and salary structure based on the relative worth of jobs in an organization.
2. By eliminating wage differentials within the organization, job evaluation helps in minimizing conflict between labour unions and management and, in turn, helps in promoting harmonious relations between them.
3. Job evaluation simplifies wage administration by establishing uniformity in wage rates.
4. It provides a logical basis for wage negotiations and collective bargaining.
5. In the case new jobs, job evaluation facilitates spotting them into the existing wage and salary structure.
6. In the modern times of mechanisation, performance depends much on the machines than on the worker himself/herself. In such cases, job evaluation provides the realistic basis for determination of wages.
7. The information generated by job evaluation may also be used for improvement of selection, transfer and promotion procedures on the basis of comparative job requirements.
8. Job evaluation rates the job, not the workers. Organizations have large number of jobs with specialisations. It is job evaluation here again which helps in rating all these jobs and determining the wages and salary and also removing ambiguity in them.

• **Limitations/Drawbacks of job evaluation-**

1. Job evaluation is susceptible because of human error and subjective judgement. While there is no standard list of factors to be considered for job evaluation, there are some factors that cannot be measured accurately.

2. When job evaluation is applied for the first time in an organization, it creates doubts in the minds of workers whose jobs are evaluated and trade unions that it may do away with collective bargaining for fixing wage rates.
3. Job evaluation methods being lacking in scientific basis are often looked upon as suspicious about the efficacy of methods of job evaluation.
4. Job evaluation is a time-consuming process requiring specialised technical personnel to undertake it and, thus, is likely to be costly also.
5. Job evaluation is not found suitable for establishing the relative worth of the managerial jobs which are skill-oriented. But, these skills cannot be measured in quantitative terms.
6. Given the changes in job contents and work conditions, frequent evaluation of jobs is essential. This is not always so easy and simple.
7. Job evaluation leads to frequent and substantial changes in wage and salary structures. This, in turn, creates financial burden on organization.

❖ **Merit Rating –**

Merit rating is the systematic evaluation of the performance of an employee on the job in terms of the requirements of the job. It may also be ascertained by comparing the superiority of an employee over others. Quantity and quality of work, attendance, obedience, skill, desire to learn, loyalty, family background, personality, etc. are some of the factors that are taken into consideration in assessing merit.

Merit rating or performance appraisal is, “a systematic, periodic end so far as humanely possible, an impartial rating of an employee’s excellence in matters pertaining to his present job and to his potentialities for a better job”. This type of appraisal is systematic in that it evaluates all performances in the same manner, utilizing the same approach, so that the ratings obtained of separate personnel are comparable.

• **The Objective of Merit Rating:**

1. For each individual worker, assessment of the standard of performance
2. Providing a basis for rewarding for high merit without detailed work study being applied,
3. Providing a basis for determining the remuneration of the indirect workers, the performances of whom cannot be easily determined,
4. Choosing suitable worker for a job
5. Providing basis for increment, promotion etc.

6. Finding out the abilities and defects of each worker
7. Improving labour relations and reducing labour turnover

- **Methods of Merit Rating –**

1. **Ranking Method –**

It is the simplest, oldest and most conventional method of merit rating. Every employee is judged as a whole without distinguishing the rates from his performance. In this method a list is then prepared for ranking the workers in order of their performance on the job so that an excellent employee is at the top and the worst at the bottom. It permits comparison of all employees in any single rating group regardless of the type of work.

2. **Paired Comparison Method –**

In this method every person is compared trait wise, with other persons one at a time, the number of times one person is compared with others is recorded on a piece of paper. These numbers help in yielding rank of employees.

3. **Grading system –**

Under this system certain features like analytical ability, cooperativeness, dependability, job knowledge, etc. are selected for evaluation. The employees are given grades according to the judgment of the rater. A-outstanding, B-very good, C-satisfactory, D- average, etc. The actual performance of every employee is rated with various grades in the mind of the rater.

4. **Forced distribution method –**

Some evaluators suffer from a constant error i.e. either they rate all workers as good, average or poor. They do not evaluate the employees properly. This system minimizes rater's bias so that all employees are not equally rated. This system is based on the presumption that all employees can be divided into five categories. Outstanding, above average, average below average and poor. The main aim in this system is to spread ratings in a number of grades. This method will be useful only when the group of employees is large, it is also easy to understand and simple to apply.

5. **Check list method –**

In this technique the supervisors are provided with printed forms containing descriptive questions about the performance of workers. The supervisor has to answer in yes or no. After putting answers to these questions the forms are sent to Personnel Department where final rating is done. Various questions in the form may be weighted equally or certain questions may be given more weight age than others.

6. Critical incident method –

This method measures worker's performance in terms of certain events or incidents that occur in the course of work. The assumption in this method is that the performance of an employee/ worker on the happening of critical incidents determines his failure or success. The supervisor keeps a record of critical incidents occurring at different times and then rates him on this basis.

7. Free essay method –

In the free essay method the supervisor writes a report about the worker which is based on his assessment about performance of workers. The supervisor continuously watches the workers or subordinates and writes his assessment in the report. The covered factors are the behaviour with employees, job knowledge, employee traits, development requirements for future, etc.