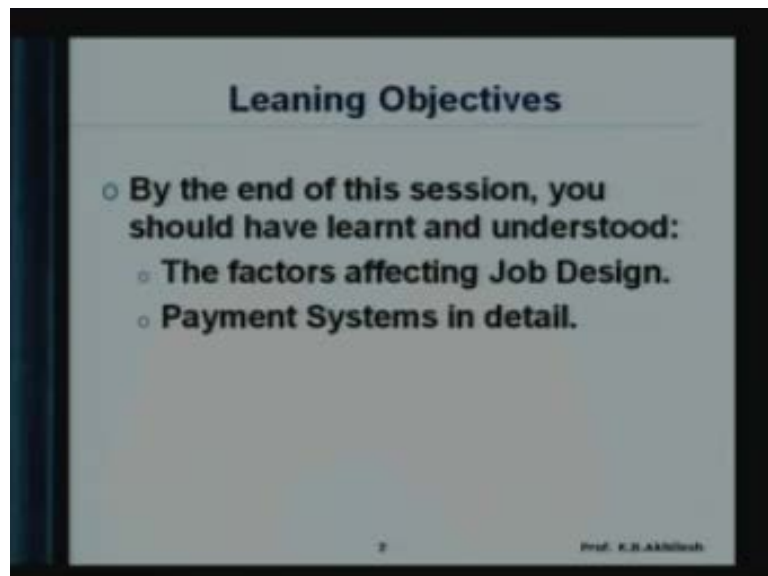


Concept of Management and Evolution of Management Thought
Prof. K. B. Akhilesh
Department of Management Studies
Indian Institute of Science, Bangalore

Lecture - 27
Job Design and Compensation Systems

Hello, in my last lecture we examined different dimensions of job and the job design. We will continue our discussion on job design and then see how to link job design job evaluation into payment and compensation systems and the basic learning goals of this lecture is the following.

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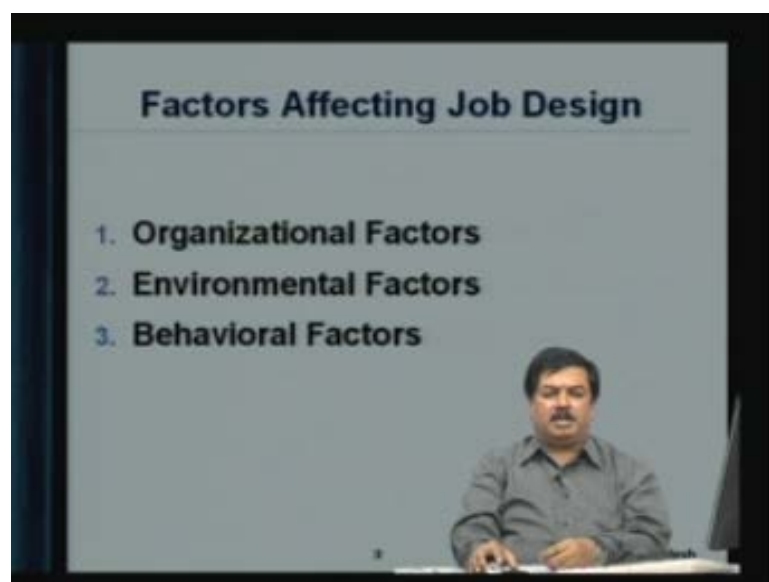


The end of this session you should have learnt and understood the factors affecting job design and also the payment systems in detail. When we use the word payment systems it means compensation system wage and salary administration things like that but basically what we are trying to do is to examine how we can understand and analyze given jobs and then we looked it in the previous lecture how to make it man machine system more effective and how to make jobs more challenging and also to create that motivational advantage and also we linked job through the job rotation bring that kind of a developmental agenda of people to grow in the organization.

Today, we will see the jobs in relation to the payments the salary and the compensation system when we use this word payment system in general wage and salary system in particular people do refer wages to what people being paid on a daily basis or on a weekly basis and salary as a as a as whatever is given once in a month but these are notional views or the terms used in usage but what is that what is the most important is to define a system of compensation for the contribution of the people, we will also see what are the other benefit system.

So when we people talk about the salary and benefits, so what people get as a for their work is defined as salary but also the other benefits which can include the fringe benefits like transportation, canteen several work facilities, leave travel allowance and many of such things are part of the benefit system. So from organization to organization these would vary however all of the benefits depend upon the salary level of the employee and the basic issue in payment system is to define an a equitable or where everybody thinks that what they are getting is a kind of a fair deal from the or in the organization.

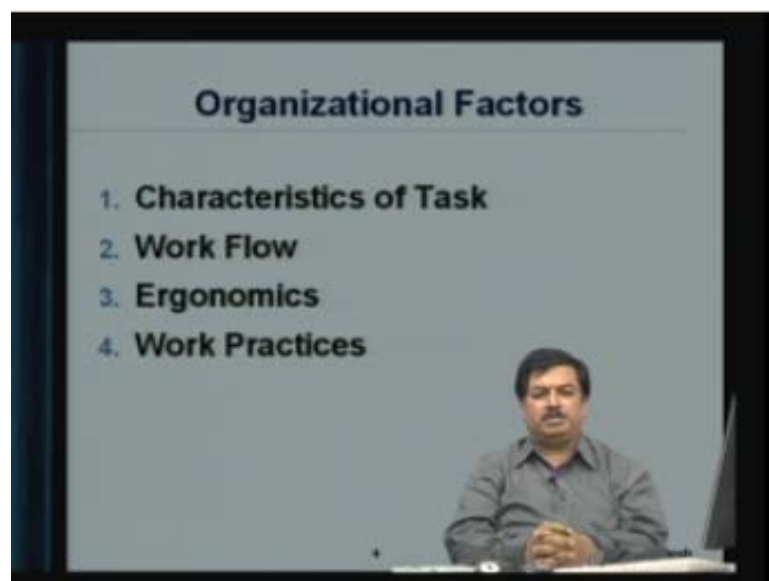
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So let us look at some of the basic factors affecting the job design itself. We have seen in our previous lecture there are various aspects to the job and the job enlargement job enrichment and the way one can work with their jobs through ergonomics and other methodologies.

However, when we see typically there are 3 factors we need to look into the organizational factors, the environmental factors and the behavioral factors and the organizational factors has to be understood in terms of characteristics of the task, characteristics of the task is whether it is repetitive, whether the task involves a kind of a continuous working typically in a you know where the critical work involved in maybe security or in term of the boilers some of these things have to be working all the 24 hours, what we will call it as a kind of a continuous work.

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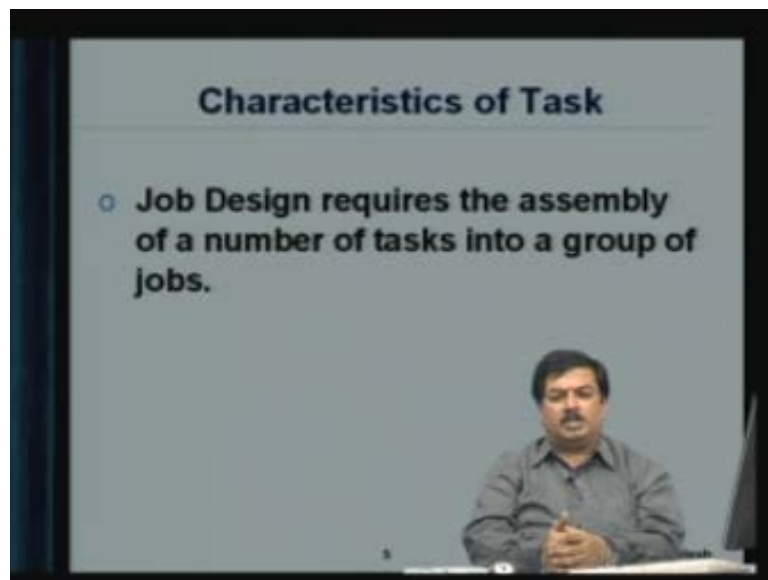
It is not desirable with that you stop some work of because of the because of the worker or the worker not being there. The second important characteristic is to see about the work flow itself the work flow if you see there are certain things are team based work, sometimes it is that you have to depend upon the other person to finish and then only you can take up the next steps. The work flow sometimes is that it is highly time dependent, some are highly process dependent.

So the work flow factors sees that the weather, what is the nature of interdependency where the other people depend on you and how much you depend on the other and then what is that kind of a synchronization with other task. So all these are of the work flow and the third important dimension we have examined earlier is the ergonomics, ergonomics which involves the physiological effort the psychological comfort and also the kind of the exteriority, the

strain and the stress and many of these factors which go into the task performance are understood and studied under this ergonomics.

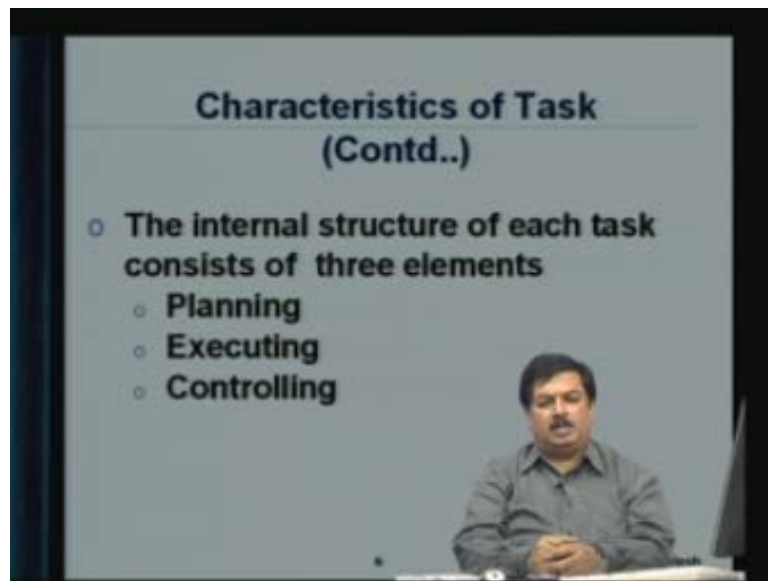
So what is that the labor involved what is that effort involved whether it is standing or whether it is sitting or whether it strains ones legs or its eyes or it is hand and things like that and the and also the work practices, all these 4 one need to examined and once if these things are well understood it becomes easy to look into the various aspects of job assessment and the job evaluation when we see the job design the job requires the assembly of number of task into a group of jobs.

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So that means the task analysis or what people call as a job analysis becomes the fundamental thing, one can do this the or understanding of this task and task characterization through observation. One can sit and observe sometimes it is talking to the work will give you what are the complexities of the job. So that means interviewing at the worker and the operators sometimes one need to see the one need to supplement his observation and the interviewing also with the expert views of how the tasks are being done and what are the changes one can introduce, it is also possible to see how technology can be introduced.

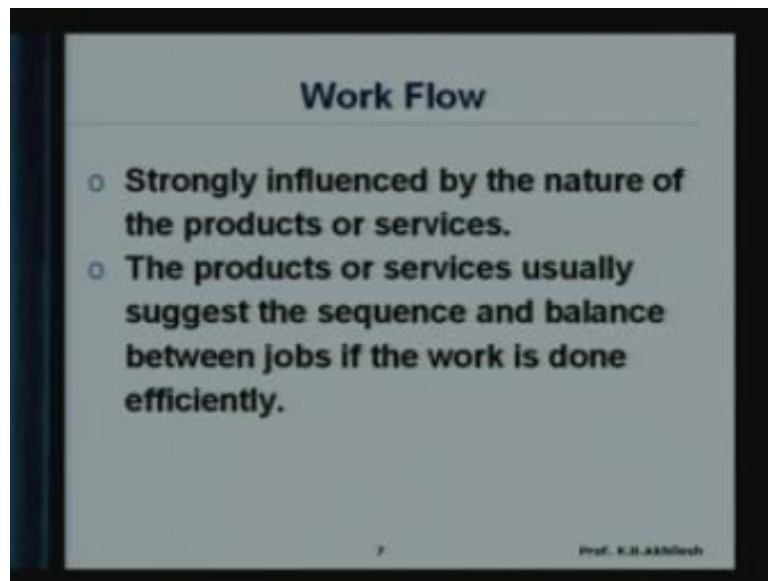
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So that certain task a repetitive task could be help through better automation in other words one need to is understand the nature of task the sequences and the kind of complexities whatever maybe the model one can use the characteristics of the task involves the basically the three elements. So the internal structure of each task you will see a planning that mean what rules what resources what kind of effort is required to pull all the required resources. So this is all part of the planning, second is executing the time the quality, the application of the skill, application of the knowledge the kind of expertise which is required which comes around knowledge with experience and also controlling, controlling the cost, controlling the finance, controlling the speed, so many of these aspects.

So the planning executing and controlling are the basic 3 elements of any task and that is an internal structure when we now look at the work flow it is strongly influenced by the nature of the products or services it could be an hotel industry or it could be the manufacturing or it could be a repair shop. So many of these things will once somebody observes this will help you to understand what is the kind of a work flow, so what is that things should be or what are the things to be done first what are the things to be done next and the sequence is critical or the sequence is flexible.

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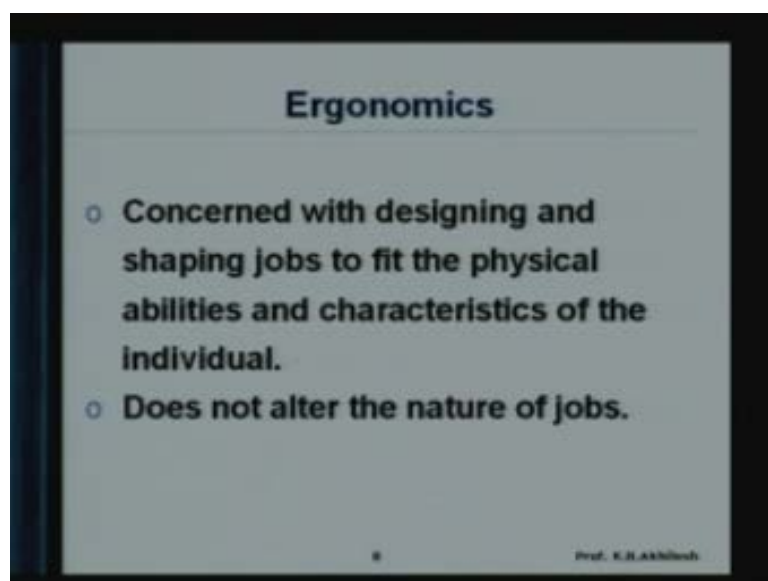
Work Flow

- **Strongly influenced by the nature of the products or services.**
- **The products or services usually suggest the sequence and balance between jobs if the work is done efficiently.**

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So then you have to see balance between the jobs then you know the if the work is done efficiently. So what are these efficient ways of working has to be defined has to be understood and the sequencing of the job, criticality of some of the jobs for the smooth work flow has to be sometimes this narrated. So that it can be used to arrange the jobs for the purpose of salary or payment systems.

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Ergonomics

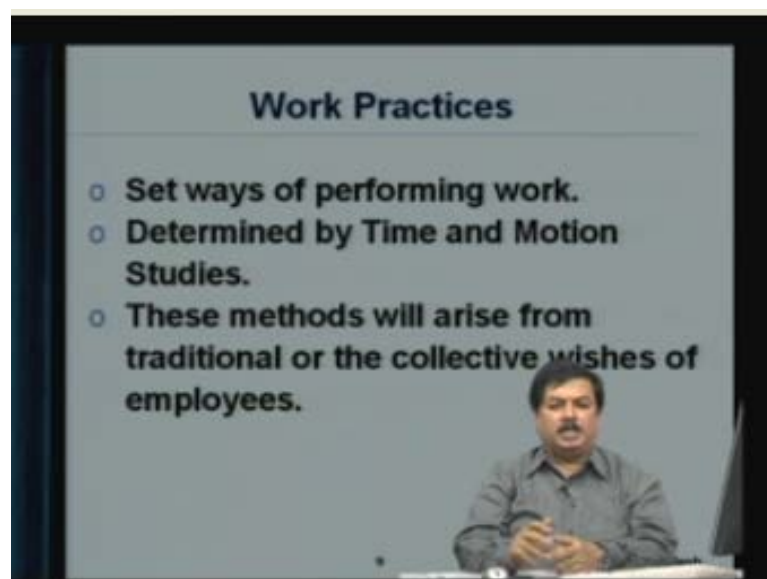
- **Concerned with designing and shaping jobs to fit the physical abilities and characteristics of the individual.**
- **Does not alter the nature of jobs.**

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The other we have already discussed in detail these ergonomics concerned with designing and shaping jobs to fit the physical abilities and characteristics of the individual. See the ergonomics does not change the nature of the job itself. However, it could well understood ergonomics of the situation can help design of better jobs which we have seen earlier but however the what are the physical conditions, what are the noise level, what does the heat and stress one has to go through in performing the task or it is the kind of repetitiveness of the task many of these things will help to control ergonomically to see, what should be the work rest rhythm, what should be the stretch of any particular activity. If some jobs particularly, let us say this BPO, business process outsourcing kind of a companies where people use the most of the time digitization kind of a work, so it is eye hand coordination, so there maybe fatigue of the fingers.

So there may be small breaks are provided for that similarly the eyes which may get strained because they are continuously watching the monitor. So it is one way of doing you know thinking about it ergonomically is to provide that kind of a required break and break that kind of a monotony and suggest some physical activities as well. So the organisation are trying to see the jobs in the kind of breaks what it should be given. So the people can come back to its original and the fatigue or the stress will not result in poor performance or affecting the health of the employees.

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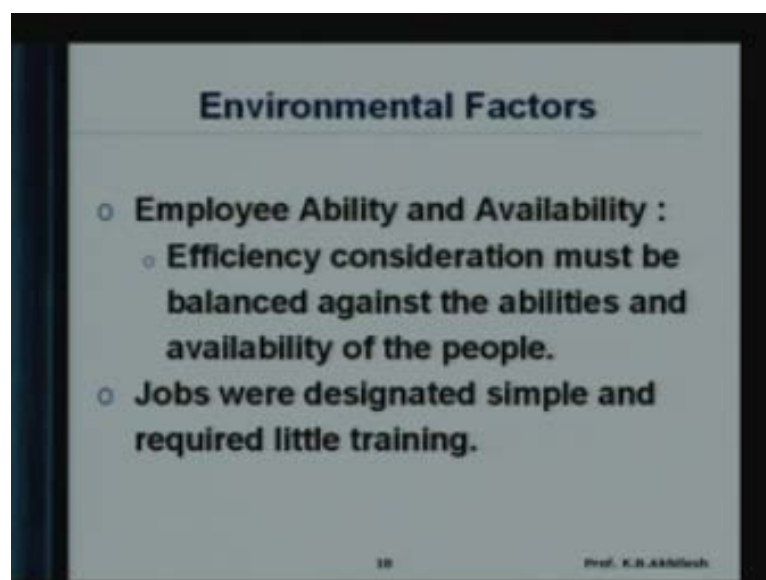


So the ergonomics consideration is another important dimension in understanding and ranking the jobs. Then, we also talked about this work practices so the ways of performing a work, so which is basically what we have seen determined by the time and motion studies, so various task various activities what are the time taken to do all the things and then also the kind of sequences which is involved and the eye hand coordination, so many of these things.

So these methods also will arise from both the traditional of or the collective wishes of employees no doubt, set of things are the stated in the workbooks but people also develop what is known as a customary work practices, customary work practices is what people adopt and the thing that is the best way of doing things which an employee is using both the hands for doing certain task, sometimes they group the activities in such a way that the each one of them do mostly some of the repeated error kind of a thing of part of the work, sometime they distribute the task in such a way where collectively they try and do that.

So it is not only the ideal work practices but one should also observe the customary work practices, how people had made some changes and what people are comfortable with. So understanding work practices again will help to see the kind of physical the intellectual and other efforts required to perform the given job then you also talked about this environmental factors the employee ability and availability.

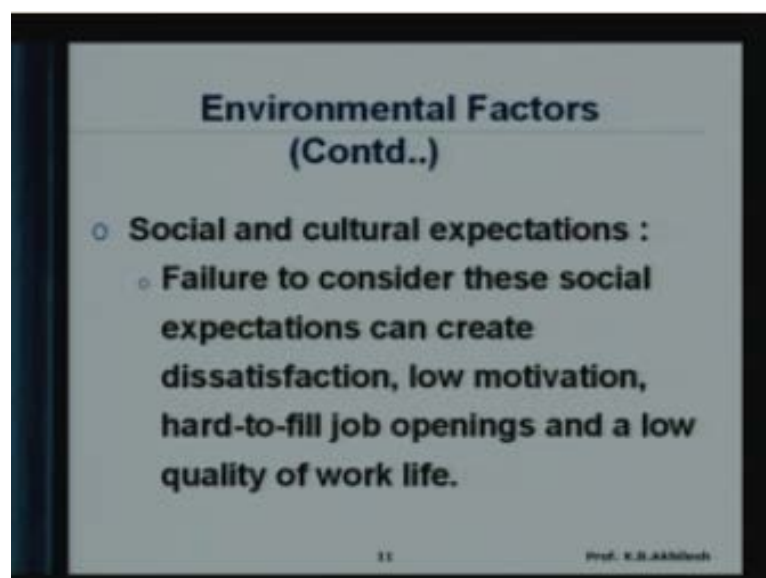
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So the efficiency consideration must be balanced against stabilities and availability of the people like sometimes certain tasks are performed by the trainees, sometimes it is performed by the very skilled employees, sometime it is performed by the master craftsman. So then if you see, sometime it is it could be a demonstration of the quality but not getting that same consistency over a period of time and in that is what an expert would do. But then there are people who youngsters they would do but with lot of errors, so one need to receive what is there what are their abilities and now do they do their jobs.

So jobs are have to be designed and designated from very very clearly simple and also about we should do is in terms of the required whether little trading or not. So the environmental factors we should also see in terms of the heat, noise and and such factors which also influence the employee performance, one should also see in terms of the social and cultural expectations. So failure to consider the social expectations also can create dissatisfaction particularly, how many hours one need to work and the kind of low motivation could be there in certain organizations and there are some jobs which people do not like it at all called as a hard-to-fill job openings and also a low quality of work life that means where people have to work through throughout the night and not able to get that kind of a required quality daytime.

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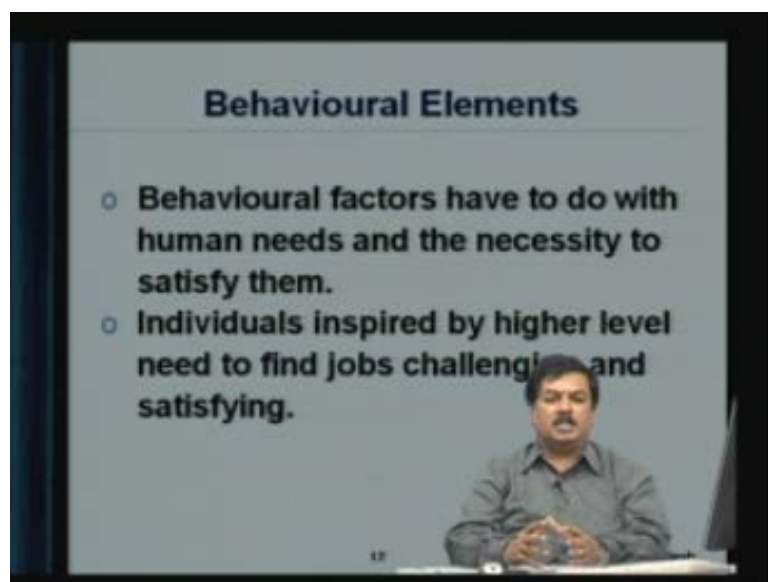


So one also need to see what people like and people hate and people do not want to so the social and cultural expectations in some banks people do not like to what handle the big cash

because the cash is seen is always a kind of a risk prone kind of a thing. So the people have to see this as a task where they can feel more comfortable. So what are those cultural expectations what people call as easy jobs or tough jobs or where the jobs which people psychologically define it as kushi jobs things like that?

So the social and cultural expectations in an organization also defines the acceptability of the persons doing such task and these things alone are not the a beginning and the end but it is important to see what all those expectations and the perceptions in the given context, behavioral elements are the other dimension. The behavioral factors had to do a with a human needs and the necessity to satisfy them as you all know.

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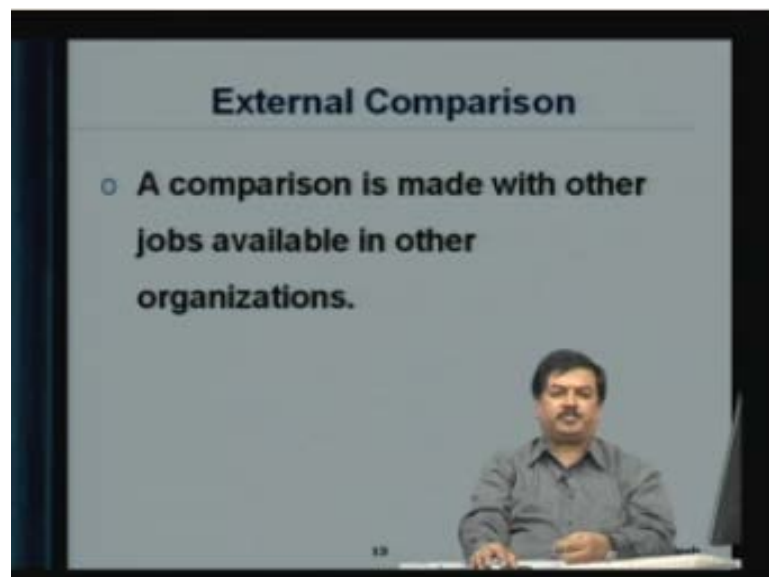
So the what is important is inspired by the higher level need to find the jobs as challenging and satisfying. So it is important to see whether what is the perceptions of the people and those perceptions generate the required behaviors or not in one of the companies they, they talk to the security guards, security guards job was taken at very very easily but then they brief them look he was the first person to be seen by anyone visiting the organization and so you whatever the impression you give that has lot of impact on the visitors.

So when such briefings was given the individual started seeing the same task in a different way. So coming with a good uniform polishing the shoe how to stand and how to salute all

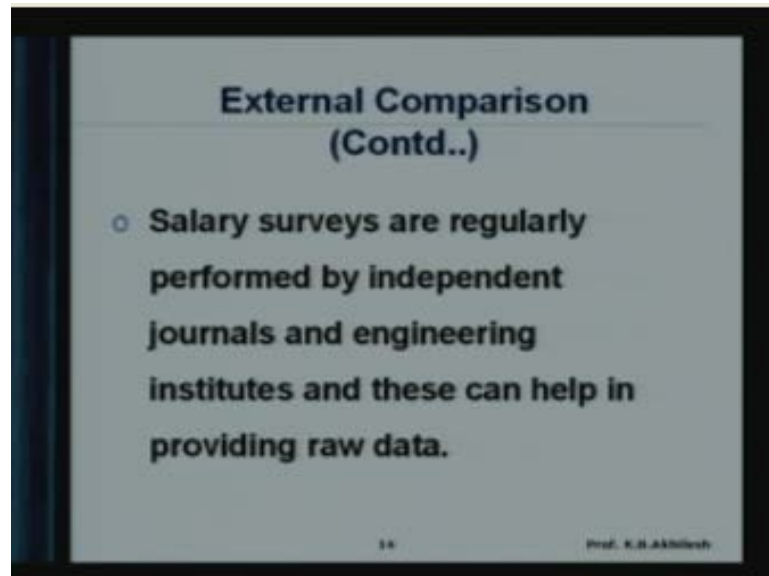
these things be can very very relevant. So the question are the behavioral elements going into the task the jobs but if people feel that their jobs are relevant, the jobs are not cold to the organization or the jobs are outliers and peripherals then to that extent there will be lack of involvement, lack of contribution as well as people take the jobs as routine and may not be proactive.

So it is extremely important to see how the behaviors in the organization have treated that particular job and what is the kind of a perception of the self who is going to occupy those position or the job and also what is the perception of others in the organization to see the job as desirable or undesirable or difficult routine or core or otherwise has to be analyzed I think these things will give a kind of a picture of the job. The other way one would like to see is the job could be compared with how it is perceived and how it is seen as core in other organization so the comparison made with other jobs. So well well in other organizations I think that is one way of valuing the job another way of saying the how the job is valued by the others not only in the organization but also outside the organization.

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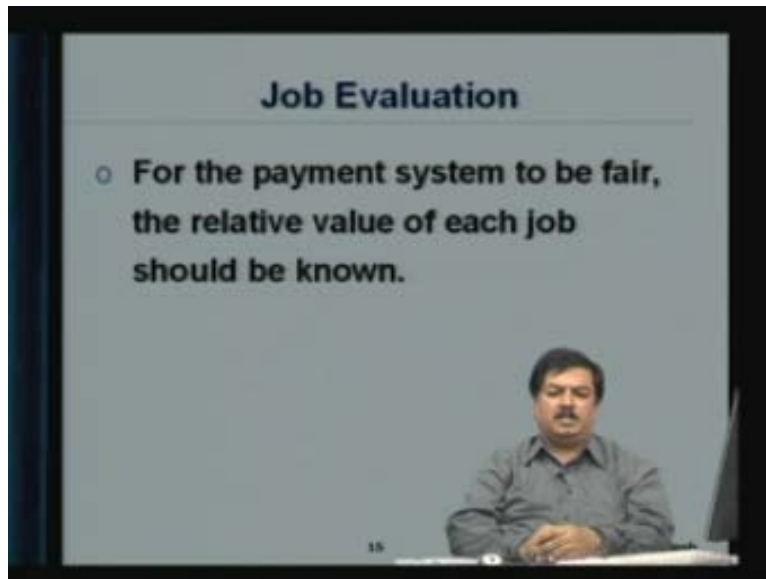


So the external comparison become very relevant particularly when we have to go into decide about the salary levels and the compensation things. So the salary surveys are regularly performed, performed by either independent people or independent journals, sometimes it is the consultants or sometimes it is the engineering professional bodies of the institutes and then took it over the, so they all provide some kind of a raw data to start with, to start with how should that did be the internally the job is valued and we can also see how are the other organizations for example, we have seen reports coming from the different institutes of management and they start talking about this is the place when salary and our students got this as the minimum.

So when they talk about the minimum salary offers and what they have got this here, so the campus gets rated around those things and similarly the organizations giving the salaries.

So when always this kind of a salary survey or a salary comparison has been used as a kind of a benchmark to understand the importance of a particular skills set, particular job and helps in defining what is to be given but job evaluation. We will examine it later on is also has been very extensively used to come with a kind of a payment structure.

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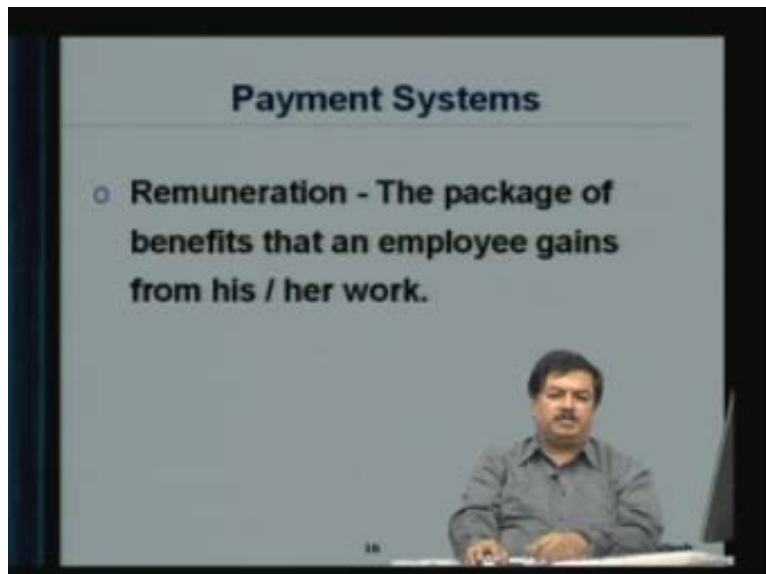


Job Evaluation

- **For the payment system to be fair, the relative value of each job should be known.**

So for the payment system to be fair, the relative value of each job should be known so the job evaluation has been defined as the process of determining the relative worth of the job for salary purposes, so the key word is the relative worth of the job. So the relative worth of the job can be obtained through different methods, through different procedures but what is important is to adopt a simplest of the procedure which make sense within the organization return.

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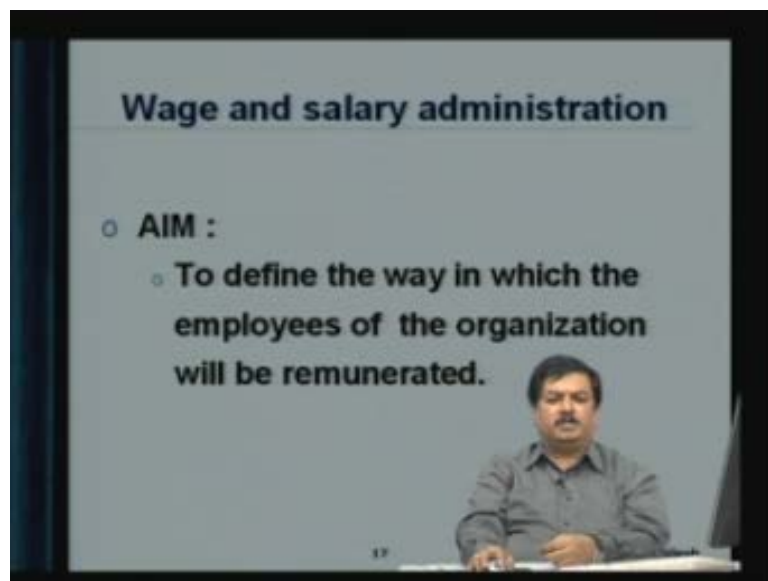


Payment Systems

- **Remuneration - The package of benefits that an employee gains from his / her work.**

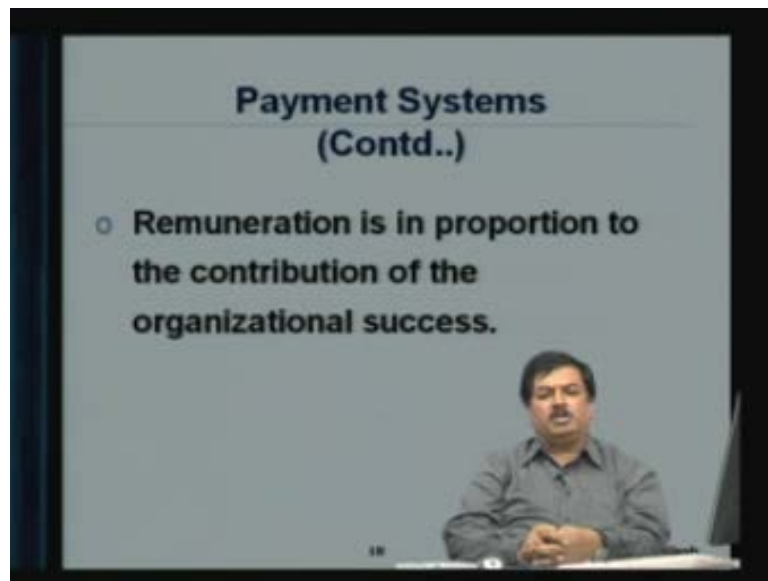
We will discuss the different methods of job evaluation but one also has to seek all this job evaluation is done because the to look at the job and look at the relative worth of the job for the purpose of remuneration, for the purpose of payment you know that we are discussing these words payment systems, wage and salary systems, wage and salary administration or it is the compensation system or the remuneration. So all these things mean are the same and similar things it is only the details could vary from one context to the other but it all means the same.

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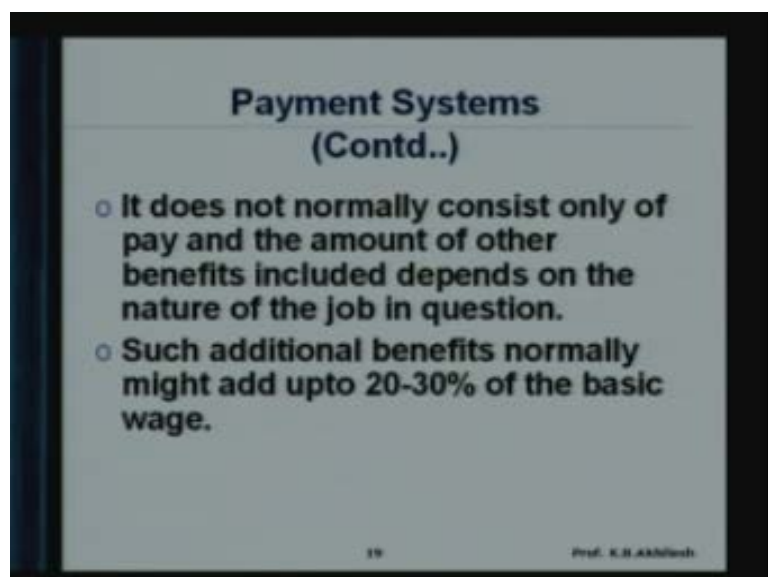
So the package of benefits that an employee gains from his or her job can be put as the kind of a remuneration or the compensation. So when you when we talk about the wage and salary administration essentially the aim of this particular system is to define the way in which the employees of the organization will be remunerated how they will be compensated. So in other words what wages and salary they need to get. So the question is in definition of this and how this can be done what kind of procedures what kind of processes can be adopted the remuneration if you see it should be in proportion to the contribution of the organizational success it cannot be independent of that. So if it is independent of that that means irrespective of whether the organization is making profit or loss or whether it is growing or otherwise if the remuneration is you know is not understood and not linked to these aspects can become a burden, can become a problem.

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So it is extremely desirable that to match the success of the organization as to the to the remuneration. So in other words the grown in salary has to be in proportion to so if the organization is growing but if they are not transferred to the individuals then it affects seriously the motivation of the employees, the attitudes of the employees then people find it difficult to work in the organization but it develops a kind of a helplessness it does not contribute to the motivation and the involvement of the employees.

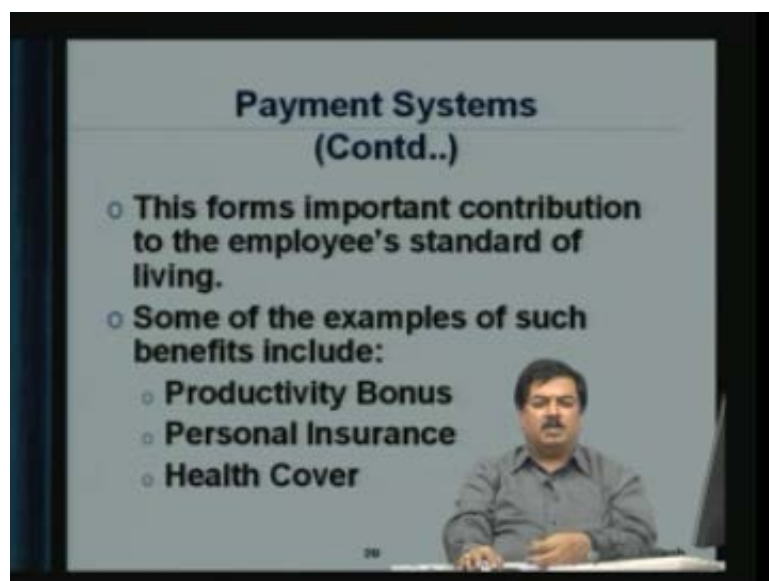
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So that is where the remuneration has to be in proportion to the contribution of to the organizational success but if organization has done pretty well but the if it is not shared we saw it is going to contribute to the demotivation but if organization is not performing but the individual gets paid individual gets paid whether they work or they do not work but in the long run it is going to kill the organizational health, organizational success. So it is extremely important to manage these two together. So that they give the required benefits, so it does not normally consist only of pay and the amount of other benefits, they also include and depends upon the nature of the job in question.

So one need to see the pay and the benefits or the salary and the benefits and usually when you look at the benefits people call it is fringe benefits, so the additional benefits is a fringe benefits normally might add up to anywhere between 20 to 30 percent of the basic wage. In some situations it can go beyond 70 to 80 percent of the basic wages. So the question is that what are these benefits, how much of these benefits to be to be made available to the employees. Sometimes the fringe benefits are also taken as a part of the tax planning however we will assume that all the benefits all taxable all the benefits have to be given out by the organizational profits and so the question is what should be the kind of a proportion ideally is that it meets all the requirements of the employee.

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**Payment Systems
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- This forms important contribution to the employee's standard of living.
- Some of the examples of such benefits include:
 - Productivity Bonus
 - Personal Insurance
 - Health Cover

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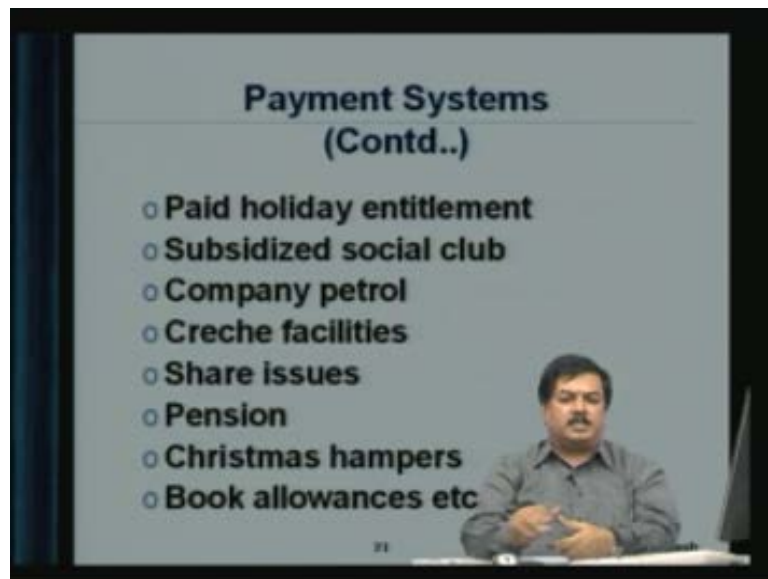
So the question of this is the people try and link the payment systems to the standard of living. So this forms the important contribution that means the standard of living, the standard of living itself could not could be a matter of discussion and debate. So what should be the minimum wage what should be the sufficient wage, what should be that kind of a comfortable wage which means the standard of living. So one view has been said of living is that the payment which is adjusted through the inflation rates or the what that employee can buy or what people also link it to the cost of living index.

So the cost of living index is he will always help you to look at the inflation and then you are making some adjustments to that but however, the standard of living would mean at the minimum level is it takes care of the basic necessities of the employee for food, shelter and probably a minimum education for the children and then comfort of the house. So but when we can also define the standard of living at the as one can see that too include many more things so could be a housing could be a car it could be an education in a in some of the best of the schools for the children and so one can keep on adding to this list.

So the question of what should be the minimum, what should be the sufficient thing has been a kind of a debate and more, so in India about the what should be the kind of a thing and we see a wide variety of practices in the organization but the question is that unless you maintain and support the employee standard of living you will not get the charged motivated and contributing employees in the long run the next important thing is to know see some of the examples or the benefits it could be many benefits one can get in an organization, it is the productivity link bonus which could be paid quarterly that is once in once in 3 months as well as it could be by annual could be it maybe once in 6 months or annually the once in a year.

So the productivity link bonus is also called as the excretia then the payment system can also include the personal insurance, personal insurance for the risk involved in travel, risk involved within the organization and outside the organization for the self, for the spouse and for the members of the organization. So apart from the personal insurance against accidents and things like that the health cover also could be for the sickness. So the health insurance is going to come in another way.

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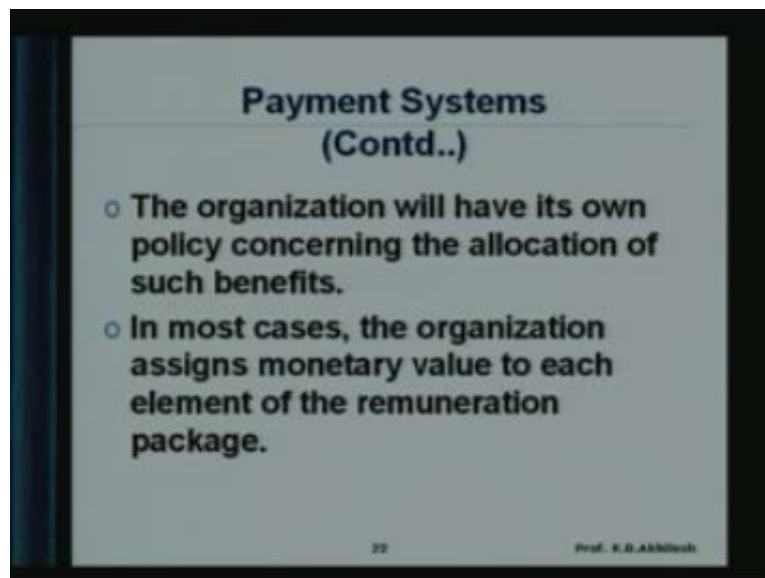


So the benefits can also include the contribution or a complete coverage about the about the health. The payment and benefit system can also include the pay holidays and entitlements that been you know annually, you get some time to visit your home, home town of if you have been coming from another country to visit your country or it is the kind of a paid holiday or take some vacation then the subsidized the social club that the contribution to the membership of various clubs or company gas or the company petrol then to crèche facilities crèches is where the employee can their kids in the age group of maybe 6 months to 6 months to 3 years of 3 and a half years and then they have a facility in the company premises to take care of this, sometimes it is also demanded under the factory's act that when it is compulsory to provide a crèche if you have a minimum number of lady employees.

So the crèche today is that these are all the kind of benefits some are seen at the very direct benefits, some are indirect benefits, most of the time when we are talking about compensation payment systems, we are bothered about those there it benefits then one can also get the employee, the stock options in term of the shares there is a preferential and you know code of for the employees then the pension, the pension is also called as a kind of a differed wages than the festival advances and the festival gifts of Christmas hampers then also the book allowances, the magazine allowances and things like that.

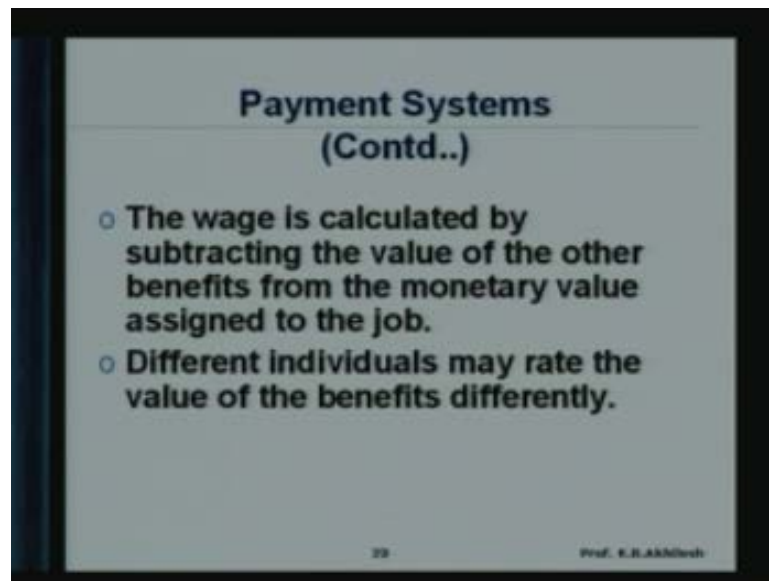
So somebody attempts to make a list of these things it could be exhaustive different nomenclature different levels of contribution from one organization to the other. So the question is all these things have to be link a either to the job and the job level of the job holder or the kind of contribution when the job is making to the overall health of the organization and productivity of the organization or the way the organization proceeds, the job when they vary who would like to share some of the success of the organization. But today, there are many more benefits are talking about apart from kind of a casual answers but then there are company picnics, the company outings with of the along with their family and things like that.

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So when you are talking about this the organization will have its own policy concerning the allocation of such benefits, so some are very liberal, some are very strict some are very conservative, so then you could also see the rules of the game also could vary from one organization to the other. So in most case where the organization assigns a monetary value to each element of the remuneration package that means we try and use that a total total of this as a kind of a as a totality as a kind of a cost to the company. So the CTC is another concept where you include every details everything what is given to the employees both directly as well as indirectly, what you are able to put it in also in a kind of a clear monetary value.

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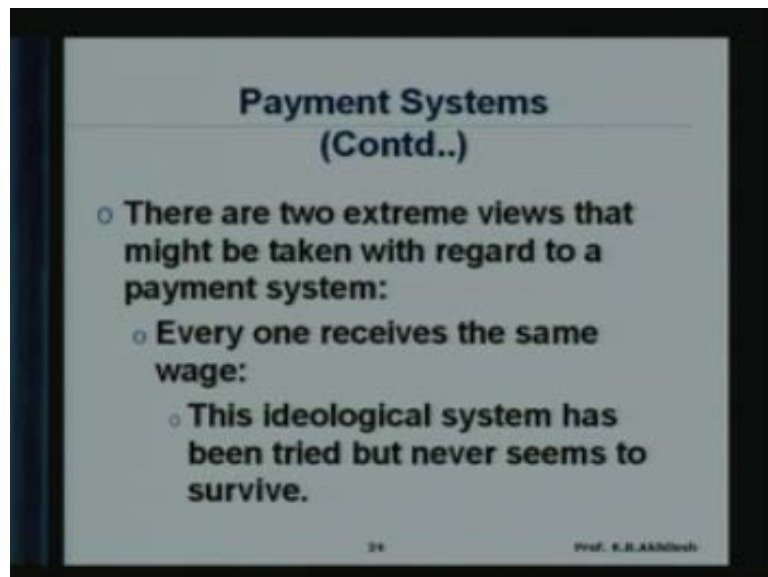
So the question of this is what should be the calculation of the wage, so the wage is calculated by subtracting the value of other benefits from the monetary value assigned to the job. So that means the different individuals may rate the value of the benefits differently sometimes you may get it sometimes you may you may do not want you know you do not want to have such benefits some are seen as a kind of a deferred benefits some are seen as a kind of a notional benefits. Now for example, maternity leave so where somebody may not enjoy that at all the so but the question is somebody is not married and somebody is not going to get that kind of a benefits, we would like to have something else in the organization.

So the question of that how this benefits to be given and how the benefits are valued what is to be calculated. However, the individuals do proceed these differences the cost of the company and the other is what is known as a the gross salary and the third one is kind of what people call it as the take home pay take hope pay is the final the money what one has after deducting for all the statutory payments and other deductions are what is called as a authorized deduction.

So these things have a have influence on what should be the total salary, the second is in terms of the gross salary, gross salary includes all the direct things but may not include some of the indirect things which can be part of the canteen which can be part of the subsidized food things like that but when we use the CTC all the money which is spent for the employee

things are will be included and sometimes it is divided by the number of employees to indicate what would be the kind of a cost to the company for employee or that particular person.

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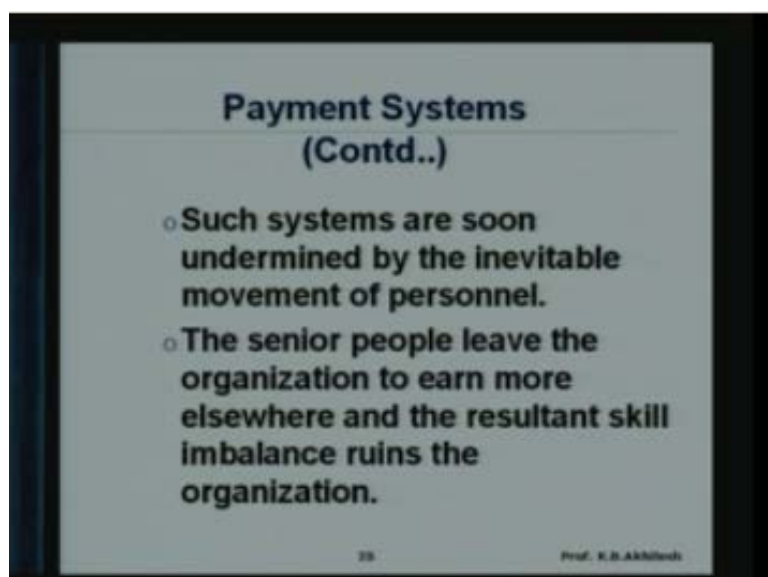


**Payment Systems
(Contd..)**

- There are two extreme views that might be taken with regard to a payment system:
 - Every one receives the same wage:
 - This ideological system has been tried but never seems to survive.

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**Payment Systems
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- Such systems are soon undermined by the inevitable movement of personnel.
- The senior people leave the organization to earn more elsewhere and the resultant skill imbalance ruins the organization.

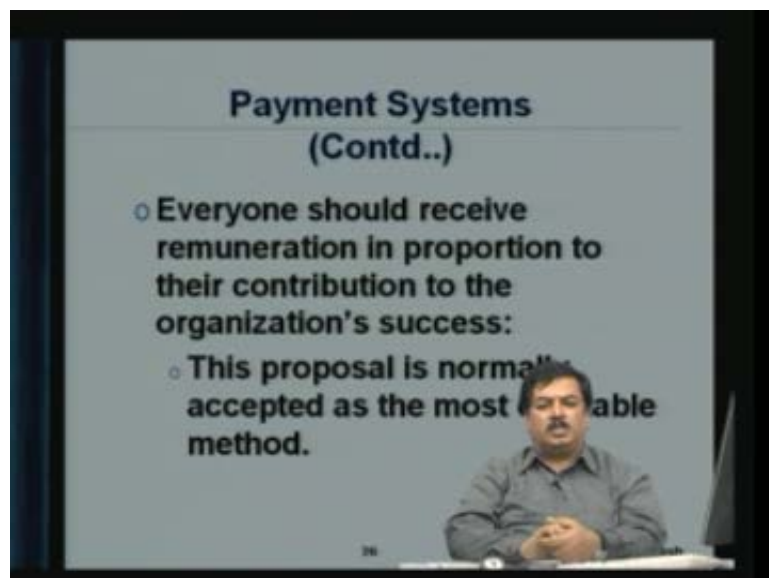
25 Prof. K.B.Akhillesh

So the question is there are two extreme views that might be taken with regard to a payment system, one everyone receives the same wage, you know it is it is a good to talk like this and

it is desirable that everybody gets the same thing and with no differential at all. So the ideological system has been tried but have seems too had never seems to survive. So that means it is not been found to be very practical but it is good that every individual has a right to everything and then they should get the same thing across I think it is nice but has not been followed.

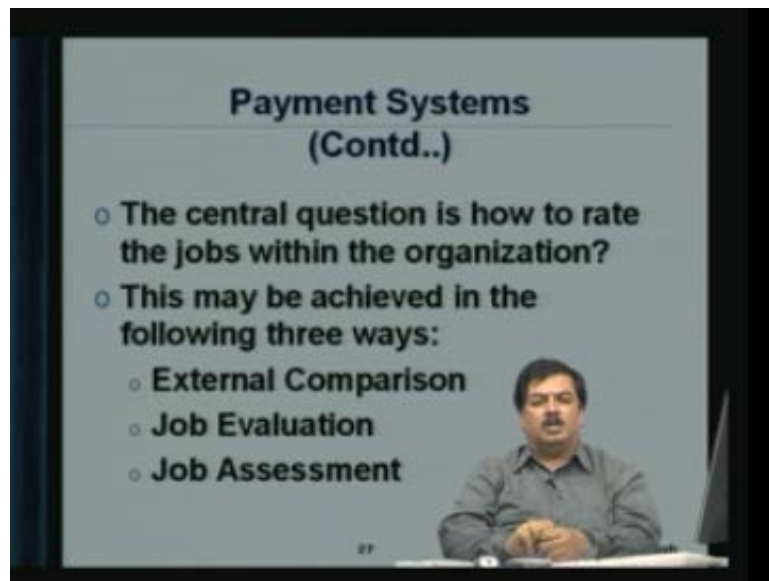
So question is that you know the people have found such system are soon undermined by the inevitable movement of personnel. So the senior people leave the organization to earn more elsewhere and the and also if you see the resultant skill imbalance ruins the organization because there is no incentive to do more or to become better employee and then so the salary payment system is seen as an important motivational tool. So unless this is deployed in a proper way, it may not contribute towards attracting the great talent as well as retaining the talent and making the talent to do more.

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So that is where one should see that the second argument is everyone should receive remuneration in proportion to their contribution to the organization success. I think this proposal has been widely accepted because when you are talking about what is their contribution or what is this jobs contribution, I think this is much more acceptable than thinking about or making sure that everyone gets the same things. So that is where the idea of how to recognize these different contribution and the relevant things.

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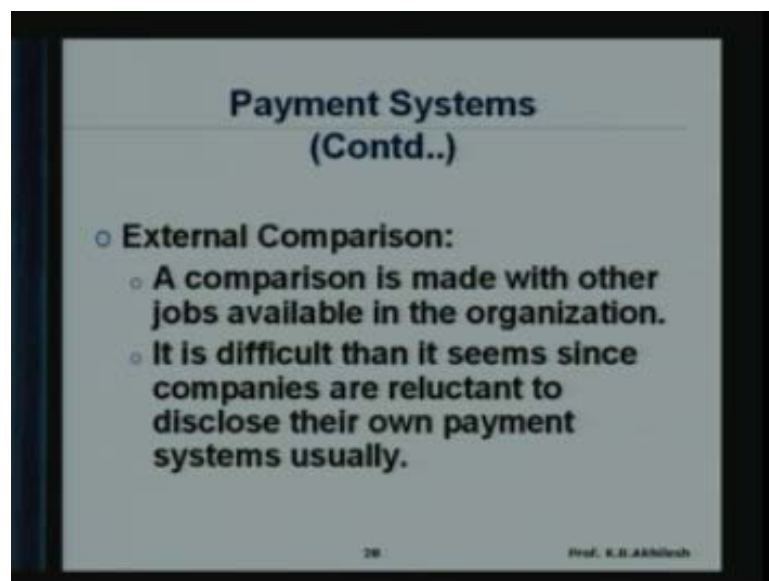
**Payment Systems
(Contd..)**

- **The central question is how to rate the jobs within the organization?**
- **This may be achieved in the following three ways:**
 - **External Comparison**
 - **Job Evaluation**
 - **Job Assessment**

27

A man in a grey shirt is sitting at a desk in front of a screen displaying the slide content.

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**Payment Systems
(Contd..)**

- **External Comparison:**
 - **A comparison is made with other jobs available in the organization.**
 - **It is difficult than it seems since companies are reluctant to disclose their own payment systems usually.**

28 Prof. K.B.Ashish

So when we are talking about the central about the central question is how to rate the jobs within the organization what is to rate the job and then to see what that contribution of that particular individual but when we are talking about the relative work or the job, we are not bothered about the individual but all of our focus is on the job itself and irrespective of who is going to occupy the job and what that particular individual may or may not do but we are

discussing about the scope of the job and then understanding the job when the job performance situation.

So this may be achieved in the following three ways we have talked about this external comparison and then the next one is the job evaluation and different methods of job evaluation and the third one is the job assessment each of these things may overlap a little bit but each of them will help identifying and arranging the relative worth of the jobs, external comparison is made with other jobs available in the organization then it is also if you see that when you would like to compensate a skilled employee.

So once you want to determine what should be paid for the skilled employee your effort is to find on what other similar organizations in the same region or in other regions are paying.

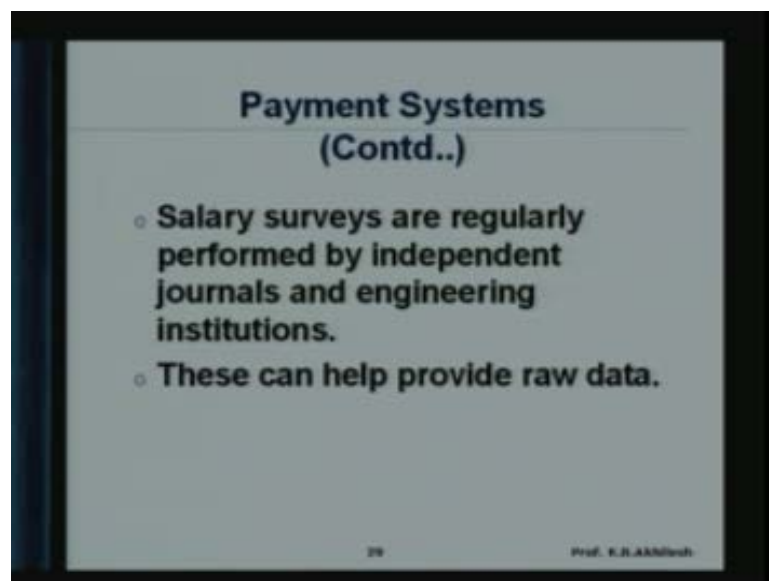
So it could be a kind of a comparison with a neighboring organization may or may not be in the same field or all the organizations in the similar industry. So a regional survey or industry level survey is what is conducted to bring that kind of a comparison.

So once you know that what is being paid by the other company then the choice has to be made in relation to that whether you would like to lead this or whether you would like to be the second in the market or the whether just you would like to be a follower. So that means you are going to attract at what level, so the that where it helps to make your payment system as competitive as possible. So it is another important problem between this is it is difficult than it seems since the companies are related to disclose their own payment systems usually unless you give out, unless you provide you are rational, unless you explain how you are handling that the other organization also may not be too willing to come and share.

So that is where what is important is for the external comparison is to have a kind of a compensation clubs compensation clubs are headed by the people who are in charge of human resource management and more particularly those of them who are who are going to decide on the compensation system to meet regularly and share the kind of internal changes, the kind of external pressures and the kind of salary system what they are maintaining. So that each one can define what would be the best for their organization and also sharing of this information can also lead to establishing some of the grow ground rules when they have to take employees from other neighboring company or other competitors.

So in sharing helps in terms of bringing some kind of a stability in the markets where the labor market situations are very tight. However, the supply is not enough that time compensation clubs will help for moderation external comparisons are most useful because then you can keep your salary systems payment system as competitively as possible. But salary surveys are regularly performed by sometimes as I said that independent sometime journals independent consultants or some of the engineering professionals.

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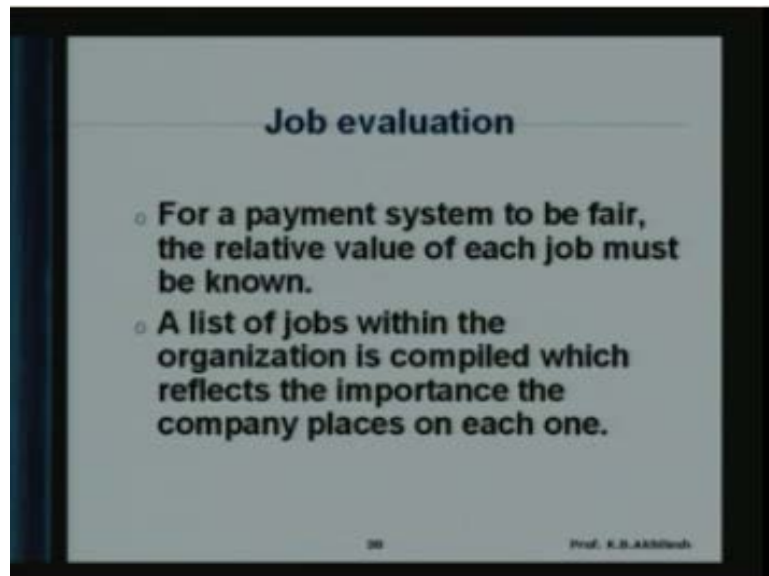


So then it definitely provides the raw data but having the raw data no one will not help because based on the raw data one need to see where is the wage curve standing and then based on the wage curve you have to see whether you would like to position your jobs at the same level or one above. So that you give little more money than what others are paying, so that you can attract and whether you also have to see at what level you want to make it more competitive at the entry level or at the level where people are experienced in the industry.

So if the attraction is difficult issue at the at the beginning then you would make it that he had the entry level then there you make it very very competitive that means you pay 15 percent, 30 percent, 40 percent more than the others and this can this kind of a strategy can also lead to a kind of a what people call it as a kind of a rat race where people compete with each other to attract the same labour pool but if that is not the condition then if the labor condition, labor market supply is much more comfortable means you can still keep it competitive but not the

differential need not be so high where the where you the organization need not spend you know much money to create that kind of a differential.

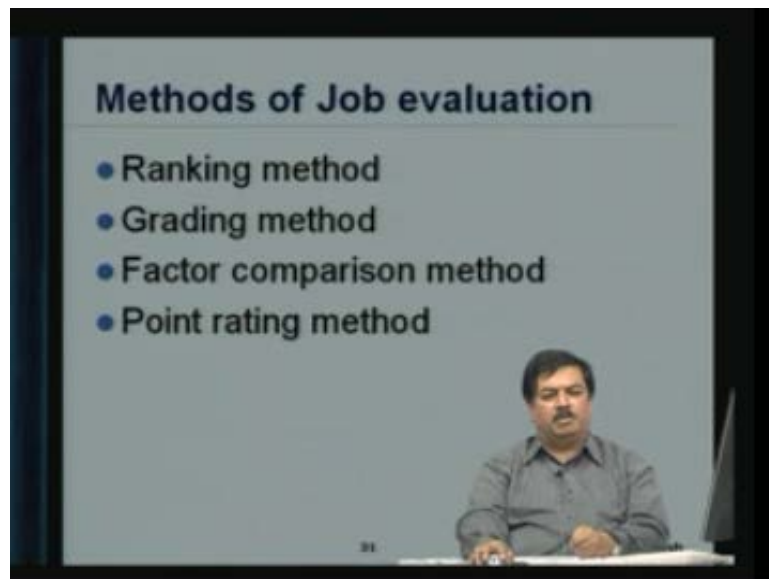
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So the question is the salary surveys are an important part of the payment systems, another important thing is the job evaluation, see what we are talking about is for a payment system to be fair the relative value of each job must be known, so that means we should be able to arrange the job in an hierarchical manner. So that means we need to create this a kind of a fair and equitable system within the organization can be achieved through different methods and one of the key methods is to go through a job evaluation procedure. So a list of jobs within the organization has to be compiled so then you know we have to put in such a way it reflects the importance of the company places on each one.

So how this could be done one can think of various methods the methods of job evaluation are briefly the ranking method the grading method the factor comparison method and also the point rating method in the ranking method what is done is to pull all the existing designations all the existing designations like the managers the supervisors and maybe the operators. So then in the ranking method the first is you put all the managers on the top supervisors in the middle then the operators then within the operators there are various designations are possible.

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So various designations again arranged when relation to the skilled, semi-skilled and the unskilled and within the unskilled again many designations can be put into some one above and one below I think that is how the ranking method is the first step is to pull all the existing designations, second is to rank in a broad bands of from highest to the lowest and within each of this bands again you have to rearrange these designations. So that it gives that kind of a relative ranking.

So at times what happens is the existing designations do come in the way without understanding the nature and complexity of the job, the one of the examples given is would you rank a gas cutter as higher versus a grass cutter. So both of them are doing the same cutting job so the gas cutter is there in the shop floor and the grass cutter is there in the taking care of the estates of the company. So which should be put as better I think this is only an example of how existing designations can come in a way. So the ranking method suffers from that kind of a that kind of an issue but it is very simple to apply but at times it can create complication because the existing designations may not mean much in terms of differences and responsibility in terms of the challenge things like that.

The next method is the grading method, in the grading method what is done is the first all the salary grades with a beginning and an increment rate of something and the you know the and the end of the particular scale the salary scale is also considered as grade. So this number of

salary scales in an organization is this either so it could be starting from that minimum salary you are going to pay 2000 rupees a grade could be typically of 2050 then 2500, 63000. So if this is you have to mean a grading method first you define a kind of a salary scale and then different salary scales are put together from the lowest to the highest with different increments rate with different eligibility periods and in a grading method one issue is that we can also have a grade which is non-overlapping or it also could be the overlapping.

So that means going back to the previous example so we may decide that within the managers there will be three grades and within the supervisors there will be three grades and with respect to the operator, there will be seven grades. So that means you define 7 plus 3 plus 3, 15 grades in the organization and then if you take different designations and then you would place where it should be.

So some could be grade one of the supervisory position grade two of the supervisory position or grade three. The advantage of this grading method is you can freeze how many layers you will have in the organization and how much depending on the kind of a responsibility and the complexity of the details, we can also place them in different grades but one can always get into an argument is that there are particular designation should be the higher grade or it should be in the lower grade and when such kind of a conflict comes it is difficult to resolve.

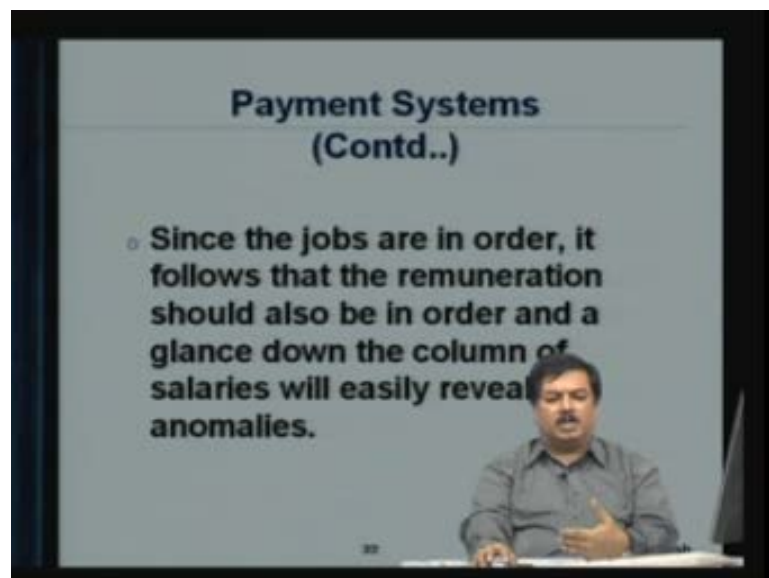
However, grading method is one of the most simplest of the methods organizations have employed and it is good to use it in the in the administration and it is also very very practical. But ranking and grading methods have some of its own inherit difficulties. So we move on to the factor comparison method in a factor comparison method usually a set of comparable jobs are picked and a set of factors typically 7 or 9 factors which are applicable to that those jobs are identified that means typical is a factor code include the education the training the can all the working conditions, the responsibility for people, the responsibility for things.

So one of the these of these are the factors can be put together and then they have put in a scale of one to five so each of the factors for a particular job is rated. So then the seven factors if you consider a set of comparable jobs then can be rated from 7 to 35 so 7 to 35 will be the kind of a factor rating and within that factor rating, you can always work through that how much should be kind of a factor power factor the salary could be so when you think of

the these you know each factor you know multiplied by into what say 200 rupees then the lowest would be that about 1400 rupees and then the highest would be into 35 into 200.

So the question is that the what should be the highest salary and what the lowest salary gets defined and then in the based on the factor rating, one can do this but on a factor rating there could be you know the idea is that you can always disagree on some of the factor ratings and then make some changes whatever is required people think it is very useful when you have a strong unions, strong trade unions and you have to negotiate with them. So that is where the factor comparison gives the basis for negotiation than compared to the ranking and a grading method where you are treating the job as a whole and then sometimes it is very difficult to negotiate if there are some disagreements, a point rating method is improvement of the factor comparison method because in the factor comparison method we give the same weightage to all the considered factors.

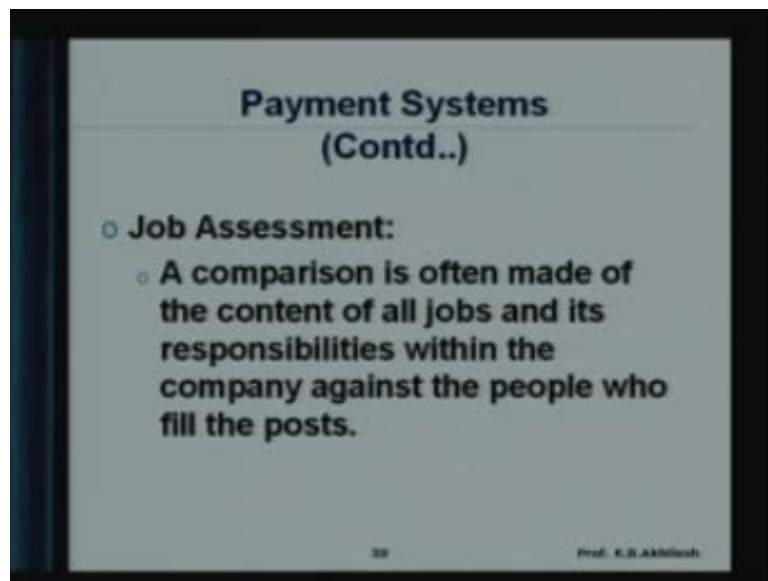
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But in the point rating method different rates can be assigned to different factors and then you can decide for example, education could be about 80 points then the training could be 40 points and so 120 points can be assigned to the education and training. So like that for consider different factors you can identify different weights and then the jobs are compared and a minimum and a maximum is defined for particular point rating and that becomes the basis for defining the salary scales as well as becomes a point for negotiation.

So the question is they say the jobs are in order it follows that the remuneration should also be in order and a glance down the column of salaries easily reveal any anomalies. So one can always check whether some lower point rating rated jobs are getting the lower or higher the other one is in terms of the job assessment a comparison is often made of the content of all jobs and its responsibilities within the company against the people who fill the post.

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So that means who are likely to come and take of a position. So this is done to ensure that there are no inconsistencies within the organization particularly people come with different levels of qualification and making sure that that kind of a fairness and an inequity is maintained. So people of certain standard it means you now for example, the education then with which they come from maybe from IIT's maybe from local engineering collages or from a reputed institution. So one who would like to see and maintain some kind of an expectation around these things.

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**Payment Systems
(Contd..)**

- **This is done to ensure that there are no inconsistencies within the organization.**
- **People of a certain standard should have similar levels of competence and remuneration.**

34 Prof. K.B.Akhillesh

This slide is titled "Payment Systems (Contd..)" and contains two bullet points. The first bullet point states, "This is done to ensure that there are no inconsistencies within the organization." The second bullet point states, "People of a certain standard should have similar levels of competence and remuneration." The slide number "34" and the name "Prof. K.B.Akhillesh" are visible at the bottom.

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**Payment Systems
(Contd..)**

- **Nothing is more likely to cause trouble than having two people doing the same work and receiving different salaries.**
- **To ensure that employees are fairly rewarded, personnel assessments are done.**

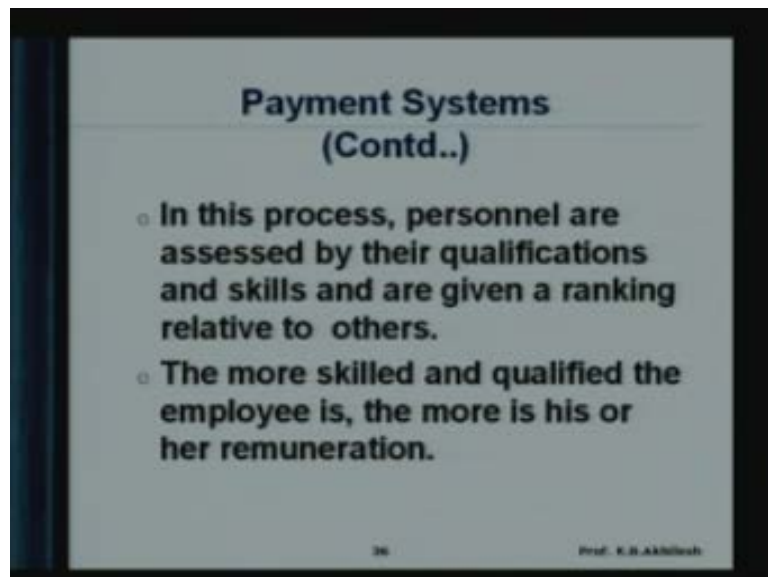
35 Prof. K.B.Akhillesh

This slide is titled "Payment Systems (Contd..)" and contains two bullet points. The first bullet point states, "Nothing is more likely to cause trouble than having two people doing the same work and receiving different salaries." The second bullet point states, "To ensure that employees are fairly rewarded, personnel assessments are done." The slide number "35" and the name "Prof. K.B.Akhillesh" are visible at the bottom.

So should have similar level of competence and then so corresponding the kind of a remuneration the issue is really that nothing is more likely to cause trouble than having two people doing the same work and receiving differential salaries. So these kinds of a comparison do bring in the dissatisfaction amongst the job occupants. So similar profile of the employee and so when you analyze then make sure that you get the they get a fair of similar ones to ensure that employee fairly rewarded. So then one can also get into the

personnel assessments we are seeing the per performance appraisal system can be supported to make sure that their qualification and skills are given a kind of a ranking relative to the others.

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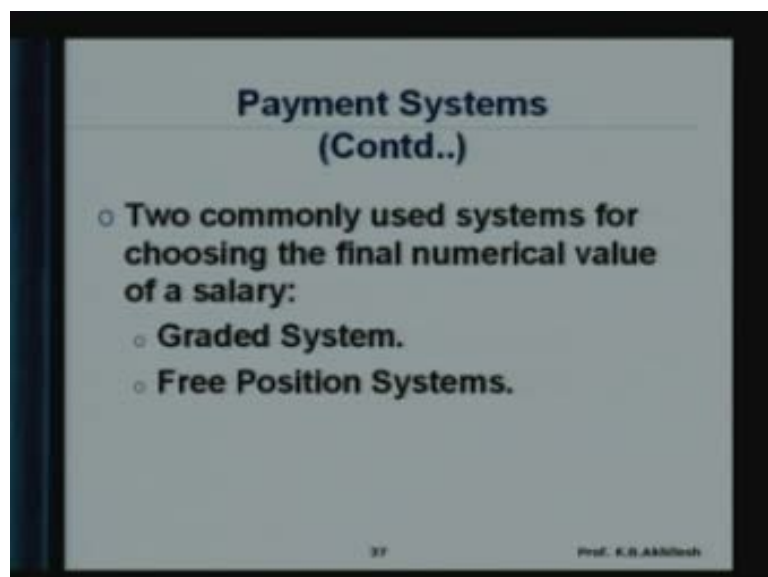


**Payment Systems
(Contd..)**

- In this process, personnel are assessed by their qualifications and skills and are given a ranking relative to others.
- The more skilled and qualified the employee is, the more is his or her remuneration.

36 Prof. K.B.Akhillesh

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**Payment Systems
(Contd..)**

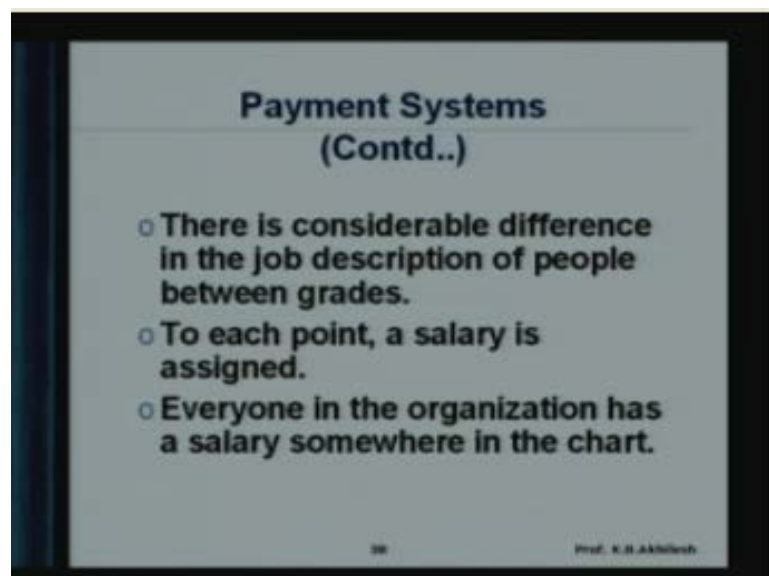
- Two commonly used systems for choosing the final numerical value of a salary:
 - Graded System.
 - Free Position Systems.

37 Prof. K.B.Akhillesh

So based on the such assessments some tweaking also could be done, so the more skilled and more qualified employee is then the more the person has to get are the ink that is the that is

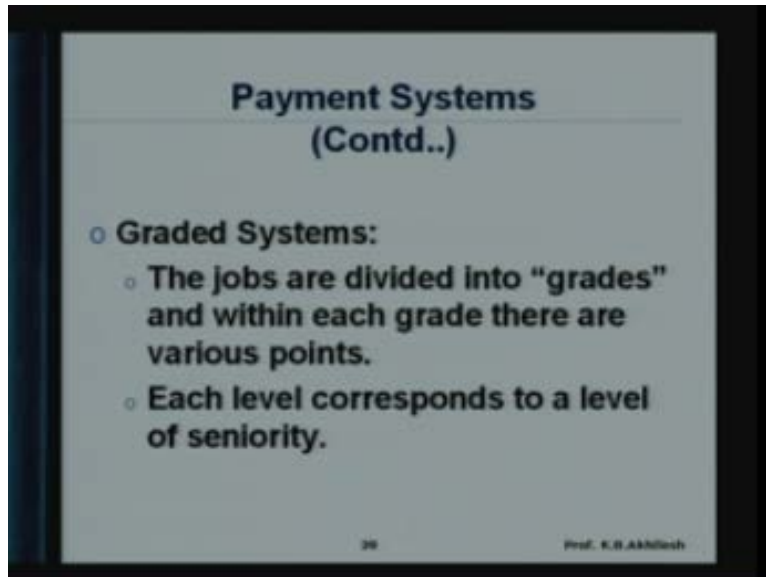
the principle. So very clearly you know one can get into this the commonly used systems for choosing this final numerical value for any salary or a compensation you can follow any of the system which we talked about earlier, the job evaluation methods, the comparison methods are also the job assessment methods but finally you have to get into a kind of a graded system, please do not confuse with the grading method, what we talked around the job evaluation system, one can also think of a free position systems and if you see this the there is a considerable difference in the job description of people between the grades and the each point of salary is assigned to everyone in the organizational salary somewhere in the chart.

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So which is linked to the wage curve and that becomes very easy to analyze and understand so the graded system the jobs are divided, so within the each grades then there are various points at each level responds to a level in the kind of a seniority. So that means very clearly differentiated between the compensation and the payment systems and then one can also get into that so one can make changes or treat these things in an annual basis though. So every time we can some kind of a it could be negotiated or you can make sure that the such salary adjustments are made.

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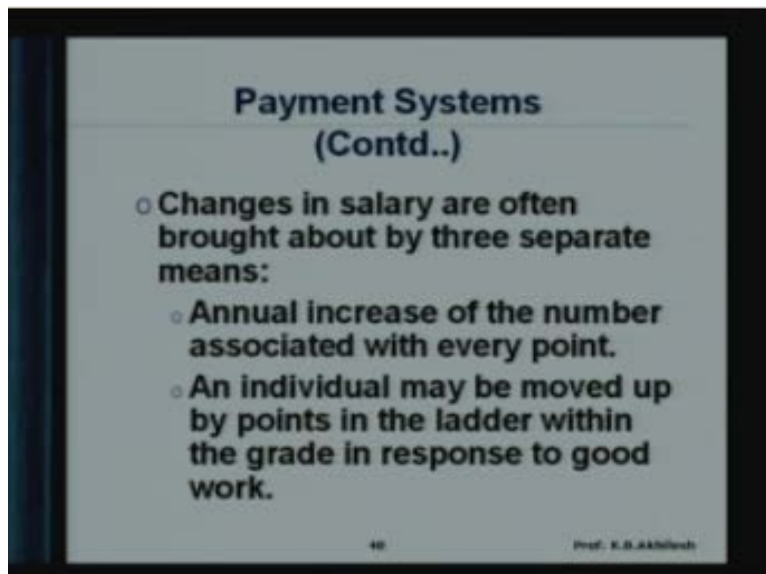


**Payment Systems
(Contd..)**

- **Graded Systems:**
 - The jobs are divided into "grades" and within each grade there are various points.
 - Each level corresponds to a level of seniority.

39 Prof. K.B.Akhillesh

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**Payment Systems
(Contd..)**

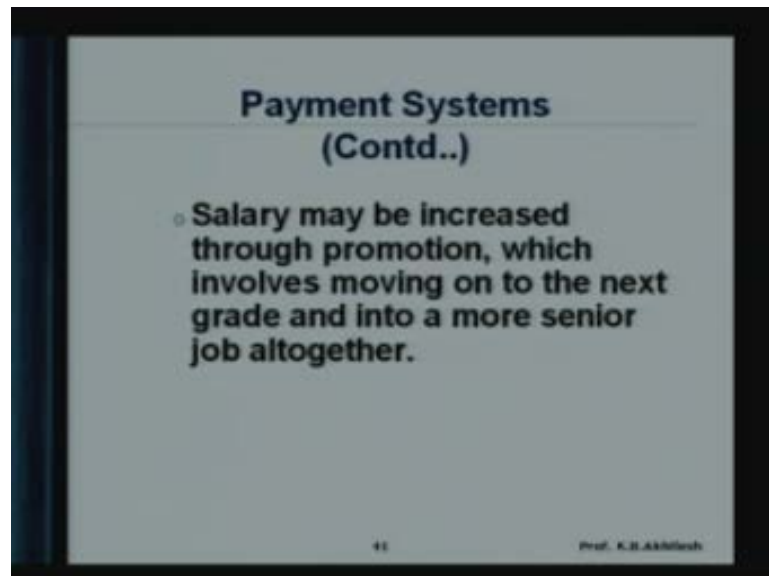
- Changes in salary are often brought about by three separate means:
 - Annual increase of the number associated with every point.
 - An individual may be moved up by points in the ladder within the grade in response to good work.

40 Prof. K.B.Akhillesh

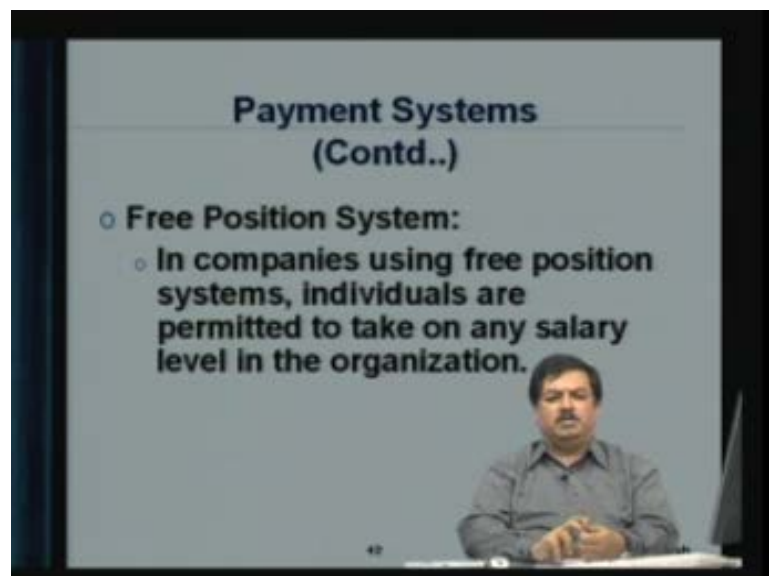
So that the senior or a person who is contributing or person who is more qualified, so some of these things are not really disturbed within the organizational system, one can also make some changes and take it through the promotion system. So moving from one level to the other or moving from one grade to the other, so that whenever there are issues of this nature can be corrected but in a free position system using the free positions individuals are

permitted to take on any salary level in the organization without caring for their qualification experience or anything, it is fine it is advantageous to the organization but people are paid differently but the disadvantage is that employees may come to a conclusion that the organization is paying in an adhoc manner and the least it can get away with.

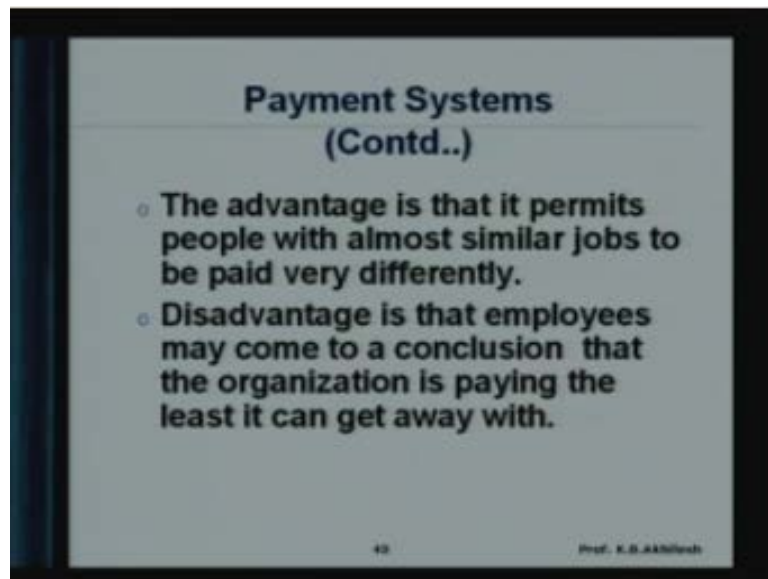
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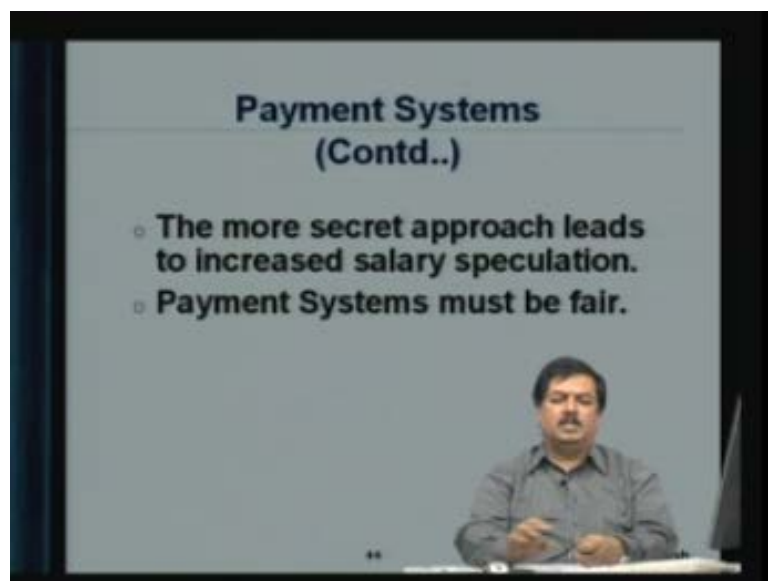
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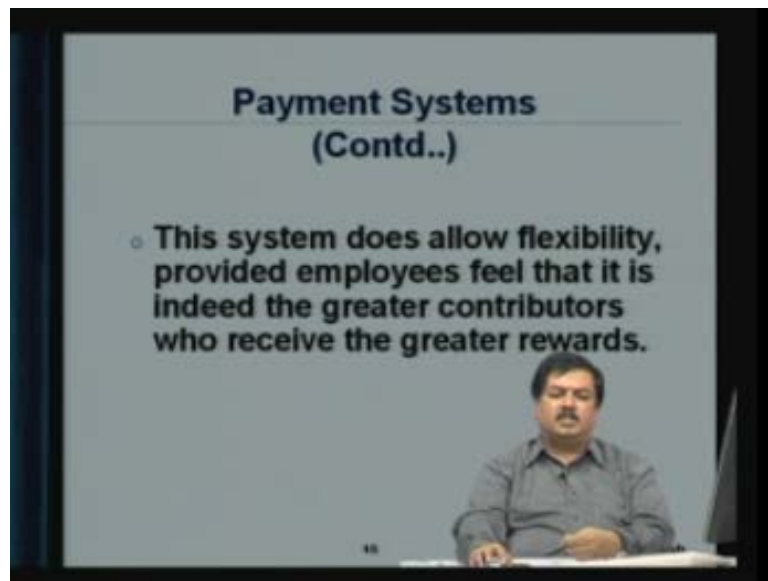


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So that means you know people are not too happy with that kind of a thing, so the more secret approach one leads to the question is a policy of the organization, so people start getting into the speculation and then maybe perceived as not very fair not open. So that is where the idea of that making sure that compensation and payment systems are meeting the expected practices. So system does not allow flexibility and provided employees feel that it is indeed the greater contributors who receive the greatest rewards.

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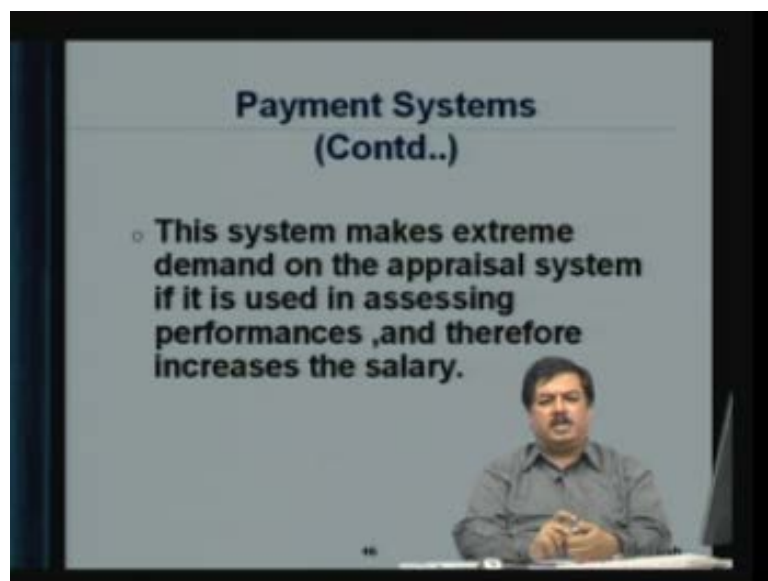
**Payment Systems
(Contd..)**

- **This system does allow flexibility, provided employees feel that it is indeed the greater contributors who receive the greater rewards.**

48

A man with a mustache, wearing a grey button-down shirt, is seated at a desk in front of a laptop, presenting the slide.

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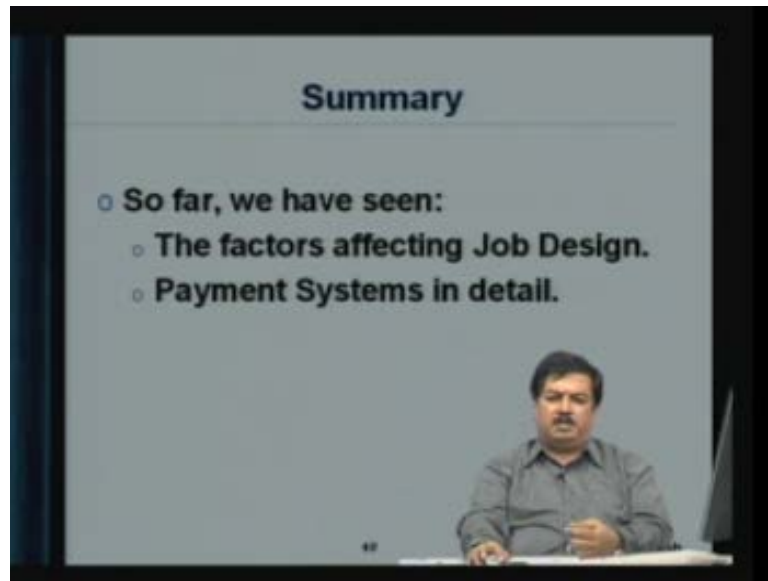
**Payment Systems
(Contd..)**

- **This system makes extreme demand on the appraisal system if it is used in assessing performances ,and therefore increases the salary.**

49

A man with a mustache, wearing a grey button-down shirt, is seated at a desk in front of a laptop, presenting the slide.

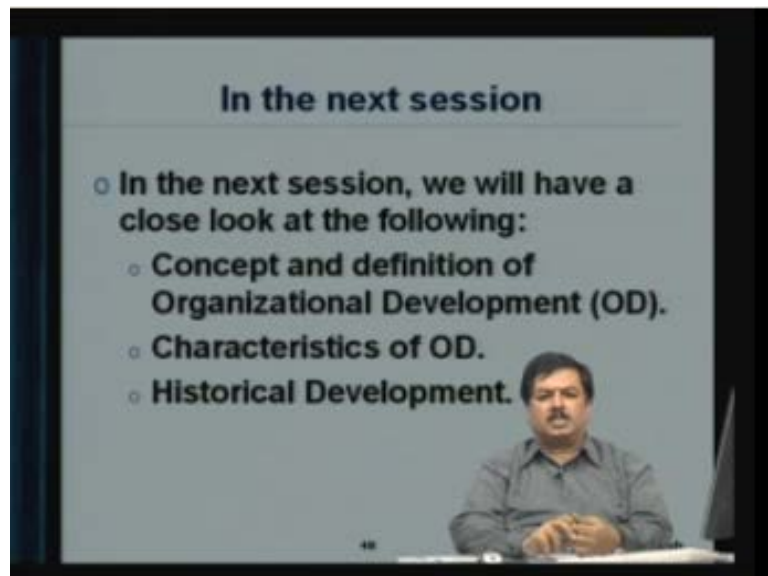
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Summary

- So far, we have seen:
 - The factors affecting Job Design.
 - Payment Systems in detail.

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In the next session

- In the next session, we will have a close look at the following:
 - Concept and definition of Organizational Development (OD).
 - Characteristics of OD.
 - Historical Development.

So I think that is where the you know the system make extreme demand on the appraisal system if it is used in assessing performances and therefore increase the salary. So good salary and a wage system and a good appraisal system will always help the organization. So we have seen various factors affecting the job design and the payment system in detail and then what we will do in the next session, we will move on to an another important topic is the

concept and definition of organization development, the characteristics of OD and the historical development of this field.