

## **Wage & Salary Administration in the Hotel Industry**

*(Dr. Sannjeev Kumar Saxena, Additional General Manager, ( L&D), Jaypee Hotels Ltd)*

### **Abstract:**

*The administration of wages and salary is the most important task in personnel administration. Mere determination of the wage structure is not enough; it must be properly implemented and administered. This calls for keeping track of various changes on which wages depends and compare them with the established standards. Wage survey, wage plans and job evaluation are the three important method used for this purpose. These methods have to be applied with prudence. Wage and salary also subject to a variety of legislation and in this context, compliance with existing legislative measures is very important. The aim of wage and salary policy is to recognize the value of each job, provide stability in earning, allow individual to reach full earning potential and to ensure that all staff shares in the organization prosperity. By considering the importance of wages & salary administration an attempt was made to find out, what are the industry standard practices and what practices hotels are adopting regarding wages & salary administration.*

*To do a meaningful and in-depth study a sample of 40 hotels, which represents the universe of different class of hotels, that includes five star, four star, three star, two star, heritage and unapproved hotel from Rajasthan. The rationale behind this sample is to have proper representation and can have a comparative study.*

*The study was of descriptive, analytical and diagnostic in nature and comprises the essential elements of social sciences, enquiring to explain the organizational culture. This explorative study is based on both primary & secondary data. The primary data has been collected with the help of a structured questionnaire and through direct interviews with hotels Human Resource Manager/ General Manager/ Managing Director/ Employees. Secondary data has been collected from internal records of the hotels as well as from other published sources.*

**Key words: Wage, Salary, Human Resource**

### ***Introduction***

In the realm of social sciences, more than in any other field there is a constant danger of a schism between theory and practice. This may, at any time manifest itself in the dichotomy of ideas underlying the theoretician's models and those governing the practitioner's action. Such a tendency may be inevitable to some extent, in certain situation but its continued persistence endangers the validity and usefulness of the theoretical as well as practical aspects of study. In the field of wage determination, a situation of this kind seems to be perilously at hand. This conviction is borne out of the fact that while during the last three decades or so, there have been tremendously significant development in the field of wage setting techniques, little progress has been made in understanding of the wage determining principles.

One of the most difficult functions of human resource manager is that of determining the rates of monetary compensation. It is not only complex, but also most significant, both to the organization and employees. "Every human resource manager is entrusted with the responsibility of establishing equitable wages and salary structure on one hand and maintaining on equitable labour cost on the other"<sup>1</sup> Human resource manager at present stage is surrounded between the conflicting interests of the employees and the employers still for the successful functioning of the organization wage and salary administration is essential.

Wage and Salary Administration refers "to the establishment and implementation of sound policies and practices of employee compensation. It include such areas as job evaluation, survey of wage and salaries, analysis or relevant organizational problems, development and maintenance of wage structure, establishing rules for administering wage, wage payments, incentives, profit sharing, wage change and adjustment, supplementary payment control of compensation cost and other related items."<sup>2</sup> Wage and Salary Administration refer "to the framing and implementation of policies and practices pertaining to employee compensation. It includes development of wage structure, wage survey, wage incentives, profit sharing, wage adjustment and other related items concerning wage payment."<sup>3</sup>

The administration of wage and salary has a wide range of impacts on the internal forces acting within the organization and external forces influencing decision-making process of the organization from outside. In this regards, it has been rightly observed as “the problem of wage structure with which industrial adjudication is concerned in a modern democratic state involved in the ultimate analysis to some extent ethical and progressive social philosophy which have rendered the old doctrine old *laissez faire* obsolete.”<sup>4</sup>

“A sound wage and salary policy contributes to the organizational effectiveness in four basic ways.”<sup>5</sup> First, a sound wage and salary policy can serve to attract qualified applicants to the organization, other things being equal, an organization offering a higher level of pay can attract a large number of qualified applicants than its competing units. Second, it helps to retain competent workers in the organization. Although retaining competent workers is contingent on many factors. Wage and Salary policy helps by maintaining a fair internal pay structure and by providing attractive benefits. Turnover is thus reduced along with costs associated with recruiting, selecting and training placement. Third, it serves as an incentive to motivate employees to put forth their best efforts. Finally, minimizing the cost of compensation can also contribute to organization effectiveness, since compensation is a significant cost for most employers.

The wage and salary policy plays a vital role in determining and defining the employer-employees relationship. There is no dispute about the concept that satisfied labour force is a valuable asset for the organization, therefore it is very essential that apart from employment facilities, the employee should be adequately rewarded and compensated.

A sound wage and salary policy is important from the viewpoint of social reformers and trade unions. When an organization prefers not to offer competitive and equitable wage and salary to its employees than it attract criticism from social reformers and trade unions. Sometimes it causes direct conflict between them, which may lead to agitation, strike and lockouts, in any situation this cannot be afforded by any organization when they are working in volatile and competitive environment. Similar situation may also attract intervention by the government. One very critical aspect of wage and salary is represented by its multiplier effect on economy. Therefore it is suggested that economic organization should evolve and

develop a balanced package of wage and salary and administer it in most appropriate and effective manner.

### ***Aim of Wage and Salary Policy***

By keeping in view the importance of sound wage and salary policy the following aims were structure in the selected hotels identified determining the wage and salary units.

- To recognize the value of each job
- To provide stability in earning
- To allow the individual to reach full earning potential
- To ensure that all staff shares in the hotel's prosperity through increased efficiency.

### ***1. Approaches for Determining Structure Of Wage And Salary***

The exercise related to the determination of wage and salary structure includes, Organizational ability to pay, supply and demand of labour, job evaluation, Prevailing market rate, cost of living, trade union bargaining power, managerial attitude, psychological and social factors. A brief introduction of the activities related to the determination of wage and salary structure is offered in the following explanation.

- **Organizational Ability to Pay**

Employer's ability to pay is an important factor affecting wages, not only for the individual firms, but also for the entire industry. This is a function of the financial position and profitability of the firm.

- **Supply and Demand of labour**

The wage is a price for the service rendered by a worker. The firm requires these services, and it must pay a price that will bring forth the supply, which is controlled by the individual workers or by a group of workers action together through their unions. The primary result of the operation of this law of supply and demand is the creation of the "going-wage rate."<sup>6</sup>

- **Job Requirement**

If a job requires skill, greater responsibility and risk, the worker placed on that job will naturally get higher wages in comparison to other jobs which do not require the same degree of skill, responsibility or risk."<sup>7</sup>

- **Cost of Living Index**

The cost of living index is also claimed as an aid in determining the wage and salary levels as it offers useful information about actual cost of living. But several eyebrows have been raised against considering the cost of living index as the basis for determining wage and salary levels with long term perspective. In comparison to this, it can be appropriately used as a stopgap device in times of inflation to provide relief to employees against the rise in prices, thus, it is a short term device for adjusting wage and salary by keeping the increase or decrease in the cost of living index in consideration.

- **Prevailing Wage Rate**

This is the most widely used and accepted criteria by the organization in fixing wage and salaries for their employees. It is also termed as comparable wage or going wage rate. This is done for many reasons. Firstly, the wages paid reflect the image of the organization in the society. Secondly, due to competition, various organization usually keep their wages level at par. Thirdly, various organization follows the policy of equal pay equal work. Fourthly, the functionally related companies require the same kind of manpower and therefore the same they have to keep the wage rates at the market rates. Fifthly, if the organizations ignore these factors they usually loose skilled manpower to the organization, which are paying higher wage rates.”<sup>8</sup>

- **Trade Union Bargaining Power**

The capacity of trade union related to collective bargaining is also of the prominent indications for determining levels of wages and salary. The bargaining capacity of trade union depends upon strength of its leadership and size of membership. When trade unions are able to effectively use the instrument of collective bargaining then the employers are forced to redesign the wage and salary level.

- **Psychological and Social factors**

These determine in a significant measure how hard a person will work for the compensation received or what pressure he will exist to get his compensation increased. Psychologically, people perceive the level of wage as a measure of success in life. Sociologically and ethically people feel that “equal work should carry equal wages” that

“wage should be commensurate with their efforts” that “they are not exploited, and that no distinction is made on the basis of caste, colour, sex or religion.”<sup>9</sup> To satisfy the condition of equity fairness and justice, a management should take these factors into consideration.

***Factors Determining Wage And Salary Structure In The Selected Hotel Units***

An attempt was made to assess the main consideration for determining wage and salary structure in the selected hotels units. The main consideration identified for this purpose includes the following:

- Organizational ability to pay
- Supply and demand of labour
- Job requirement
- Cost of living index
- Prevailing market rate
- Trade union bargaining power and Psychological and social factors. The result are shown in the following table:

***Factors Determining Wage And Salary Structure ( Table 1)***

| S.no | Factors for Wage and Salary   | 5star | 4 star | 3 star | 2 star | 1 star | Heritage | Unapproved | AV.% |
|------|-------------------------------|-------|--------|--------|--------|--------|----------|------------|------|
| 1    | Organizational ability to pay | 33%   | 100%   | 80%    | 80%    | ---    | 71%      | 60%        | 72%  |
| 2    | Supply and Demand of labour   | 50%   | ---    | 50%    | 60%    | ---    | 14%      | 40%        | 40%  |
| 3    | Job Requirement               | 16%   | 100%   | 60%    | 20%    | ---    | 42%      | ---        | 32%  |
| 4    | Cost of living Index          | 16%   | 50%    | 20%    | 80%    | ---    | 57%      | ---        | 30%  |
| 5    | Prevailing Wage Rate          | 80%   | 50%    | 70%    | 100%   | ---    | 83%      | 100%       | 80%  |
| 6    | Trade Union Bargaining Power  | 16%   | 50%    | 10%    | ---    | ---    | ---      | ---        | 7%   |

|   |                                  |     |     |     |     |     |     |     |    |
|---|----------------------------------|-----|-----|-----|-----|-----|-----|-----|----|
| 7 | Psychological and Social factors | 16% | --- | --- | --- | --- | --- | --- | 3% |
|---|----------------------------------|-----|-----|-----|-----|-----|-----|-----|----|

The above analysis signifies that the selected hotels units like to use more than one of the identified bases for determining wages and salary structure but the most common factors are prevailing wage rate & organization ability to pay that is 80% and 72% respectively by all the categories of hotels because hotels representative says that competition demands that competitors adhere to the same relative wage level, and trade union encourages this practice so that their members can have equal pay for equal work and geographical difference can be eliminated. But during the research it was found that in certain cities prevailing wage rates in the geographical area are very low where as organizational ability to pay to their employee are more. This has lead to frustration in the employees, which has resulted in maximum % of labour turnover in hotels. Supply and Demand of labour, Job Requirement, cost of living index is next important factor in determining wage and salary structure. Whereas trade union bargaining power and psychological and social factors are only concerned in five star hotels, which is merely 16% only.

## 2. Increment Policy

It is a natural expectation of employees to gain higher wages and salaries when their experience curve yearly takes upward trend, and when organization fails to recognize the values of the length of experience then it is like to lead to frustration. By keeping this in view an attempt was made to highlight the duration of increment in wage and salary structure of the employees in the selected hotels units. The result are shown in the following table:

**Duration of Increment (Table No 2)**

| S.no | Category of Hotel | Yearly | Two Years | Three Years | NO Fixed Duration |
|------|-------------------|--------|-----------|-------------|-------------------|
| 1.   | 5 star            | 100%   | ---       | ---         | ---               |
| 2.   | 4 star            | 100%   | ---       | ---         | ---               |
| 3.   | 3 star            | 70%    | 10%       | 20%         |                   |
| 4.   | 2 star            | 60%    | 10%       | 10%         | 20%               |

|    |            |     |     |     |     |
|----|------------|-----|-----|-----|-----|
| 5. | 1 star     | --- | --- | --- | --- |
| 6. | Heritage   | 85% | 15% | --- | --- |
| 7. | Unapproved | 30% | 20% | 20% | 30% |

The above analysis signifies that more than 60% of the selected hotels units are following yearly increment policy. But less than 20% of the three stars, two stars, Heritage & Unapproved Hotels follows two yearly/ three yearly increment policies are being used. It was also found that 20% and 30% of the two star and unapproved hotels respectively do not have fixed duration of increments.

### **3. % of Labour Turnout Due To Non-Satisfaction of Wage and Salary Structure**

It is seen that most of financial sound organization take into consideration the prevailing wage rate factor while fixing up the wage and salary structure of their employees. This may engineer a sense of frustration in the employees, which lead to heavy labour turnout. In this regards an attempt was made to find out the % of labour turnout due to non-satisfaction of wage and salary structure. The result is tabulated in the following table:

**% Of Labour Turnout (Table-3)**

| S.no | Category of Hotel | 15% onwards | 10- 15 % | 0-05 % | 0-15 % | Very Low | No Data Available |
|------|-------------------|-------------|----------|--------|--------|----------|-------------------|
| 1.   | 5 star            | 25%         | 50%      | 25%    | 25%    | ---      | ---               |
| 2.   | 4 star            | 50%         | ---      | 50%    | 50%    | ---      | ---               |
| 3.   | 3 star            | 60%         | 20%      | ---    | 60%    | 10%      | 10%               |
| 4.   | 2 star            | 60%         | ---      | ---    | 60%    | 20%      | 20%               |
| 5.   | 1 star            | ---         | ---      | ---    | ---    | ---      | ---               |
| 6.   | Heritage          | 72%         | ---      | 14%    | 72%    | ---      | 14%               |
| 7.   | Unapproved        | 30%         | ---      | 10%    | 30%    | 50%      | 10%               |

The above analysis reveals that % of labour turnout due to non-satisfaction of wage & salary structure is 10-15% in 50% of 5 star hotels (Including the chain Hotels) surveyed because they give more focus on prevailing market rates in determining wage and salary structure of the employees rather the giving much importance to factor organization ability to pay.

Whereas more than 50% of the two star, three star, four star and heritage this % is between 0-15% and in unapproved hotels the % of labour turnout is very low due to loyalty towards the owner, social causes and illiteracy of the employees.

#### ***4 Non-Salary Benefits Offered To Employees***

Management is concerned with attracting and keeping employees, whose performance meets at least minimum levels of acceptability and at keeping “absenteeism” and “turnover” to tolerable levels. The provision of benefits and services can be and are important in maintaining the employees and reducing or keeping turnover and absenteeism low.

The non-salary benefits are important competent of wage and salary administration. There is growing trend on the part of unions to make demands for the benefits, which are other than direct wages. Example are Insurance, pension, Provident Fund, HRA, Bonus, gratuity, Medical Reimbursement, Loan facilities, Free Education for children, Vacation with Pay (LTC), Subsidized duty meals, Sports facilities, Library, recreational facilities, Housing Facilities etc.

The non-salary benefits are payment to employees for the time not worked. It is an attempt to compensate & protect employees against hazards. It also refers to the offer of several services to the employees by the employer. In this regards it has been observed as “ in the broadest sense, such fringe can be constructed to include all expenditures designed to benefit employees over and above regular base pay and direct variable compensation related to output.”<sup>10</sup>

#### ***Non-Salary Benefit Offered By Selected Hotel Units***

In today’s competitive environment no organization can survive without a talented employees and to withhold these employees organization are leaving no stone unturned to provide better non-salary benefits than their competitors. The non-salary benefits given by the organization to their employees mainly include the following in the selected hotel units:

- Insurance, Pension, House Rent Allowance and Gratuity
- LTC, Medical Reimbursement
- Free Education for Children
- Cooperative Facility

- Subsidized Duty Meals
- Sports Facilities
- Library
- Recreational Facilities
- Housing Facilities
- P.F and Loan Facilities

Therefore, an attempt was made to identify the non-salary benefits given to the employees in the selected hotel units. The result are shown in the following table:

***Non-Salary Benefit Offered (Table 4)***

| S.no | Non-salary benefits         | 5star | 4 star | 3 star | 2 star | 1 star | Heritage | Unapproved | A.V% |
|------|-----------------------------|-------|--------|--------|--------|--------|----------|------------|------|
| 1    | Insurance                   | 100%  | 100%   | ---    | ---    | ---    | 42%      | ---        | 28%  |
| 2    | Pension                     | 66%   | ---    | ---    | ---    | ---    | 42%      | ---        | 18%  |
| 3    | Provident Fund              | 100%  | 100%   | 100%   | 100%   | ---    | 100%     | 50%        | 83%  |
| 4    | LTC                         | 83%   | 50%    | 30%    | ---    | ---    | 28%      | ---        | 28%  |
| 5    | Medical Reimbursement       | 100%  | 100%   | 30%    | ---    | ---    | 42%      | ---        | 35%  |
| 6    | HRA                         | 100%  | 100%   | 100%   | ---    | ---    | 100%     | ---        | 75%  |
| 7    | Gratuity                    | 100%  | 100%   | 100%   | ---    | ---    | 100%     | ---        | 55%  |
| 8    | Free Education for Children | 50%   | ---    | ---    | ---    | ---    |          | ---        | 8%   |
| 9    | Cooperative facilities      | 50%   | 50%    | ---    | ---    | ---    | 28%      | ---        | 15%  |
| 10   | Loan facilities             | 50%   | 50%    | ---    | 40%    | ---    | 28%      | 40%        | 25%  |
| 11   | Subsidized Duty Meals       | 100%  | 100%   | 100%   | 100%   | ---    | 100%     | 100%       | 100% |
| 12   | Housing facilities          | 50%   | ---    | ---    | ---    | ---    | 14%      | ---        | 10%  |

The analysis explains that all the categories of the selected hotels prefer to offer following non salary benefits to their employees along with other benefits: -

- Provident Fund
- Loan Facilities
- Subsidized Duty meals

It is further seen that as many as 50% of all the selected hotel units except two star & unapproved hotels like to give the non-salary benefit of H.R.A, Gratuity to their employees and five star, four star, three star, and heritage hotels also offer the non-salary benefit of medical reimbursement.

It has also been noticed that 27.5% of the selected hotel units except two star and unapproved hotels offer the non-salary benefit of Insurance and LTC to their employees. The analysis also elaborates that less than 20% of hotels like to offer the non-salary benefit of pension, free education for children, cooperative facilities and housing facilities to their employees. The analysis further suggest that the similarity between the five star, four star and heritage hotels in providing the non-salary benefits is that, all these categories of hotels like to offer Provident Fund, Medical Reimbursement, HRA, Gratuity, Subsidized Duty Meal to their employees. In comparison to this the non-salary benefit offered by two star and unapproved hotels are similar.

### **Conclusion**

The administration of wages and salary is the most important task in personnel administration. Mere determination of the wage structure is not enough; it must be properly implemented and administered. This calls for keeping track of various changes on which wages depends and compare them with the established standards. Wage survey, wage plans and job evaluation are the three important method used for this purpose. These methods have to be applied with prudence. Wage and salary also subject to a variety of legislation and in this context, compliance with existing legislative measures is very important. The wage and salary policy of the organization should recognize the value of each job, provide stability in earning, allow individual to reach full earning potential and to ensure that all staff shares in the organization prosperity.

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