

Labour Cost

It's not the total Cost, but it refers to Cost Per Unit. This Unit can be either- Production or Service or Day or hours.

Expenses	Activity or Person Directly Related to Main Function of the Organisation-Direct Wages	Activity or Person <u>Not</u> Related Directly to Main Function of the Organisation-Indirect Wages
Direct Expenses As per Cost Sheet	Salary / Wages	Salary / Wages
Indirect Expenses As per Cost Sheet	Overheads Expenses	Overheads Expenses

Refer to Q.1 & Q.2 --- Advance Q.13 & Q.14

TIME RECORDING

TIME KEEPING (VARIOUS FORMAT OF ATTENDANCE SHEET & RECORDING DEVICES)		TIME BOOKING (Format Not Standardised, but has to be intelligently prepared relevant to circumstance)	
For Fixed Wages	For Piece Rate Wages	Time Study to be Carried Out to Determine Actual time Spend.	Time & Motion Study---To Determine Standard Time Required-In Service Sector it's PSA -(Professional Service Automation)
For Accounting Purpose		To bring Efficiency and reduce effective cost.	

Other Statutory Requirement Which Increase the Labour Cost.

- Minimum Wages Act
- Payment of Wages Act, 1963 prescribed various deductions like fine , damages E.S.I.S / P.F. etc
- Payment of Bonus Act, 1965
- The Employees Provident Funds Act- 10 % of Basic +DA as contribution.
- The Employee's State Insurance Act, 1948-Wages upto ₹ 25,000 and Employer's contribution is 4.75%
- The Maternity Benefit Act, 1961-Maximum period is 12 weeks.
- Payment of Gratuity Act, 1972.-1/2 month salary after 5 year of completion of service.

Job or Work Aspects

Job Evaluation is to determine What is required to be done by each Person in the Organisation and decide and fix the cost – Direct as well as Indirect

Job Merit Rating – this is done to recognised the best Person and it's retention policy

On Reconciliation with Attendance Record & Time Booking

Idle Time—Q.4			Overtime – More than Normal or Agreed Time Duration	
Normal	Abnormal		Normal Rate	Premium Rate or Extra Rate
Avoidable	Unavoidable		Monetary Format or Non Monetary Format	Base on Production / Time Duration or Any other base.
General	But under Management Control	Natural Not under Anyone Control		

Various Type Of Worker

Casual Workers

Permanent Worker

Out Source Worker

Depend upon a) Efficiency Vs Quality b) Predefined or Non Defined c) Standard Procedure Vs Non So Standardised Procedure.

Bonus Schemes- (Co-partnership)

Differential Piece Rates			Premium Bonus Scheme Sharing the Financial gain between the employer and employee.	Group Bonus Plan	Bonus Scheme for Indirect Worker
Taylor's	Merrick	Gantt Task	<p>Next Slide</p> <p>This is also known as Individual Bonus System. This combine time wages with piece rates. It's the manner of sharing the financial gain between the employer-employee, in agreed proportions.</p> <p>This plan is there to avoid slow down in case of time-system.</p>	1) Budgeted Expense Bonus	4) Towne gain Sharing plan. – Pay for Cost Saving.
Day wages is not guaranteed (Normal Rate Determine)	3 rates of Remuneration, depend on Output	Combine Time & Piece Rate		2) Cost Efficiency or Scanlon Plan	
Low Wages(83%) for less than Standard Output, Otherwise Higher-120 %	a) 83.1/3 %=Normal b) Upto 100%=110 % Rate c) Over 100%=120 % Rate	<Standard Output=Time Rate =Std.Out=120 % of <u>Time Rate</u> . >Std.Out=120 % of Piece Rate	In some cases it may be difficult to measure accurately the output of individual workers, However, it's possible to measure for group of worker and thus Group bonus plan is activated. It also encourage the "Team Spirit". Disadvantages each may receive less. Reward even "inefficient" within the team.	3) Priestman System. – If performance exceed bonus pd.	5) Waste reduction plan.

Premium Bonus Scheme

Sharing the Financial gain between the employer and employee.

Halsey	Halsey-Weir	Rowan	Barth - Emerson	Bedaux-Each Minute of Standard time is called "B" point.	Accelerating	Baum (Milwaukee Plan)
$\text{Earnings} = (\text{Hours worked} * \text{Rate Per hour}) + \{ 50/100 (\text{time allowed} - \text{hours worked}) * \text{Rate per hours} \}$		$\text{Earnings} = (\text{Hours Worked} * \text{Rate Per Hour}) + [\{ \text{Time Saved} / \text{time Allowed} \} * \text{Hours Worked} * \text{Rate Per Hour}]$		Below 66 2/3 66 2/3 to 100% 100%	No Bonus Upto 20 % slab increase 20 % plus 1 % for each increase 1%.	Accelerating plan the earning increase with the production and act as strong incentives but due to difficult in understanding by worker it's not put in practice.
$\text{Earnings} = (\text{Hours worked} * \text{Rate Per hour}) + \{ 33.33 / 100 (\text{time allowed} - \text{hours worked}) * \text{Rate per hours} \}$		$\text{Earnings} = (\text{Hours Worked} * \text{Rate Per Hour}) + [\{ \text{Efficiency Bonus Percentage} \} * \text{Hours Worked} * \text{Rate Per Hour}]$ Efficiency = Actual Time / Standard Time		$\text{Earnings} = (\text{Hours Worked} * \text{Rate Per Hour}) + [75/100 * (\text{BS} * \text{RATE PER HOUR}) / 60]$ 25 % was given to Supervisor Originally , now 100 % is given to worker.		Mixture of Halsey Plan and Taylor's differential plan, but due to lot of clerical work rarely put in practice.

Labour Turnover –Rate of Change in Labour Force & it's %

Advantages	Drawback	Remark
1) Cost Reduction 2) New Energy	1) Work Completion 2) Training Time Cost 3) Appointment Cost 4) Wastage 5) Preventive cost can be more.	

Method of Calculation of Labour Turnover Cost as %

Separation Method (Avoidable / Unavoidable)	Work Left (for any reason any Method) ----- Total Number of Worker	
Replacement Method	Worker "Replace" ----- Total Number of Worker	
Flux Method	Separation + Replacement ----- Total Number of Worker	
New Recruitment Method	New Recruitment (Generally Expansion) ----- Total Number of Worker	