

# LABOUR COSTING

## **Time Keeping V/S Time Booking**

Time keeping is simply maintaining attendance of the workers i.e. the time of arrival and the time of departure and thereby the time spent by the worker in the organisation is measured; whereas time booking is not only maintaining the time spent by the workers in the organisation, but also the time spent on each and every job including the idle time reasons is recorded.

## **PAYROLL**

### **1. STEPS**

Payroll deduction are of two kinds, non –tax, and tax. Tax deductions are made in compliance with Income Tax Act.

### **2. PAYING THE WAGES**

The payroll sheet is the basis for the preparation of a payroll voucher by the accounting department authorizing disbursements for the net amounts payable to employees. If the number of employees is large, payments are usually made from a special payroll bank – account.

## **The Minimum Wages Act, 1948:**

Unorganised sector by providing for the fixation of minimum wages in certain specified employments.

## **Professional Taxes:-**

Professional tax or employment tax is a state-based tax. It is one of the statutory deductions from the gross income before computing the tax.

## **Employees State Insurance (ESI): -**

ESI funds, by the ESIC is applicable to employees earning Rs. 1500 or less per months to employer to employee contributes 4.75% and 1.75%respectively to make it a total of 6.5%.

## **Provident Funds (PF):-**

PF is a compulsory contributory funds for the future of employees after their retirement or for their dependents in case of their early death.

For the PF deduction, the maximum limit of salary of the employees is Rs. 15,000 per month. This means that even if the employee's salary is above Rs. 15,000 the employer is liable to contribute only on Rs.15, 000 that is Rs.1, 800. The P.F.is divided into EPF and EPS (Employee Pension scheme) contribution. The employees' contribution goes straight to EPF whereas from employer's contribution, the 8.33% goes to EPS subject to Rs. 1,250 a month and the rest goes to EPF.

## **OVERTIME**

### **MEANING**

Overtime means the work done by a worker beyond his normal working hours. **Overtime Rate of wages +Extra Rate of wages** (called Overtime premium).

## **IDLE TIME**

### **MEANING:-**

Idle Time means the time lost during which the worker does not work. I.e. he is idle. However still the worker has to be paid the wages even for such Idle Time. Thus, it is a double loss for the concern. It should be noted that Idle Times does not include the period the worker is on leave, or weekly-off etc.

## FORMAT OF STATEMENT SHOWING LABOUR COSTS PER HOUR / UNITS

### Statement showing the Labour Cost Per Hour and Per Unit

Particular	Rs.
A. Normal Wages... ..	XX
B. Dearness Allowance (D/A)... ..	XX
C. Bonus... ..	XX
D. Any Other Allowance in Payable... .. (e.g. House Rent Allowance , City Compensatory Allowance )	XX
E. Employer's Contribution to P.F.... ..	XX
F. Employer's Contribution to ESI... ..	XX
G. Leave Salary [Based on Normal wages and D/A] .....	XX
H. Expenditure on Benefits /Amenities .....	XX
I. Total Labour Cost .....	XX
J. Working Hours .....	XX
K. Output .....	XX
L. Labour Cost per Hour [I / J] .....	XX
M. Labour Cost per Unit of Output [I / k] .....	XX

### ILLUSTRATION 2: (Normal Idle Time)

'X' an employee of ABC Co. gets the following emoluments and benefits:

- Basic pay Rs. 1,000 p.m.
- Dearness allowance Rs.200 p.m.
- Bonus Rs. 20% of salary and D.A.
- Other allowance Rs. 250 p.m.
- Employee's contribution to P.F. 10% of salary and D.A.

'X' works for 2,400 hours per annum, out of which 400 hours are non-productive and treated as normal idle time. You are required to find out the effective hourly cost of employee 'X'.