
# LABOUR COST CONTROL

**Q. 1.** ZED Limited is working by employing 50 skilled workers. It is considering the introduction of incentive scheme- either Halsey scheme (with 50% bonus) or Rowan scheme of wages payment for increasing the labour productivity to cope up the increasing demand for the product by 40%. It is believed that proposed incentive scheme could bring about an average 20% increase over the present earning of the workers; it could act as sufficient incentive for them to produce more.

Because of assurance, the increase in productivity has been observed as revealed by the figures for the month of April, 2004.

| | |
|---|---|
| Hourly rate of wages (guaranteed) | ₹ 30 |
| Average time for producing one unit by one worker at the previous | 1.975 hours |
| Performance (This may be taken as time allowed) | |
| Number of working days in the month | 24 |
| Number of a working hours per day of each worker | 8 |
| Actual production during the month | 6,120 units |

**Required**

(i) Calculate the effective rate of earning under the Halsey scheme and the Rowan scheme.

(ii) Calculate the saving to the ZED Limited in terms of direct labour cost piece.

(iii) Advise ZED Limited about the selection of the scheme to fulfill their assurance.

**Q. 2.** A Company is undecided as to what kind of wage scheme should be introduced. The following particular have been complied in respect of three systems, which are under consideration of the management.

| | Workers | | |
|---|---|---|---|
| | **A** | **B** | **C** |
| Actual hours worked in a week | 38 | 40 | 34 |
| Hourly rate of wages | ₹ 6 | ₹ 5 | ₹ 7.20 |
| Production in units | | | |
| Product P | 21 | ---- | 60 |
| Product Q | 36 | ---- | 135 |
| Product R | 46 | 25 | ---- |
| Standard time allowed per unit of each product is : | | | |
| | **P** | **Q** | **R** |
| | 12 | 18 | 30 |

Minutes

For the purpose of piece rate, each minute is valued at ₹ 0.10

You are required to calculate the wage of each worker under :

(i) Guaranteed hourly rates basis

(ii) Piece work earning basis, but guaranteed at 75% of basic pay (guaranteed hourly rate if his earning are less than 50% of basic pay.

(iii) Premium bonus basis where the worker receives bonus based on Rowan scheme.

**Q. 3.** A worker produced 200 units in a week's time. The guaranteed weekly wage payment for 45 hours is ₹ 81. The expected time to produce one unit is 15 minutes which is raised further by 20% under the incentive scheme. What will be the earnings per hour of that worker under Halsey (50% sharing) and Rowan bonus schemes?

**Q. 4.** From the following particulars calculate the group bonus payable in each case and the amount that will be paid to each member of the group.

Standard production in a week is 120 units.

It is agreed that for every 10% increase in production, bonus of 5% of the total wages, payable of the week, will be paid and the same will be shared by the group consisting of 4 members in proportion to their total wages of the week.

Total production for the week 144 units.

Wages earned by the four members of the group (A, B, C & D) are respectively ₹ 80/-, ₹ 78/-, ₹ 72/- and ₹ 69/-.

**Q. 5.** The management of Sunshine Ltd. wants to have an idea of the profit lost/foregone as a result of labour turnover last year.

Last year sales accounted to ₹ 66,00,000 and the p/v ratio was 20%. The total number of actual hours worked by the direct labour force was 3.45 lakhs. As a result of the delays by the personnel department in filling vacancies due to labour turnover, 75,000 potentially productive hours were lost. The actual direct labour hours included 30,000 hours attributable to training new recruit, out of which half of the hours were unproductive.

The costs incurred consequent on labour turnover revealed, on analysis, the following :

| | ₹ |
|---|---|
| Settlement cost due to leaving | 27,420 |
| Recruitment costs | 18,725 |
| Selection costs | 12,750 |
| Training costs | 16,105 |

Assuming that the potential production lost due to labour turnover could have been sold at prevailing prices, ascertain the profit foregone / lost last year on account of labour turnover.