An Analysis of Factors affecting Earnings of Salaried Persons in India & Haryana

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Abstract: This paper demonstrates that the earnings of salaried individuals in India and Haryana are influenced by various factors, such as profession, years of formal education, age, occupation status, and type of job contract, sector, enterprise type, social security benefits, and eligibility for paid leave, and marital status.

Key Words: Salaried Persons, Occupation status.

1. **Introduction**

A salary refers to a regular payment made by an employer to an employee, as specified in their employment contract. It differs from piece wages, which involve separate payments for each job, hour, or unit of work completed. From a business perspective, a salary can be seen as the cost incurred to acquire and retain human resources for operational purposes, often referred to as personnel expense or salary expense. In accounting, salaries are recorded in payroll accounts.

A salary represents a fixed amount of money or compensation provided to an employee by an employer in exchange for their work. It is typically paid at regular intervals, such as monthly payments equal to one-twelfth of the annual salary.

The theories relating to employment always put different emphasis on the role of employment. The determination of salaries is often based on comparing market pay rates for similar work in the same industry and region. Individual employers also establish pay rates and salary ranges based on internal considerations. Additionally, the supply and demand of qualified individuals for a specific job within the employer's location can impact salary levels.

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History of Salary

First paid salary

Although there is no concrete evidence of the first pay-stub documenting the initial work-for-pay exchange, the concept of salaried work implies the presence of a society with an established barter system that allows for the fair exchange of goods or services between tradespeople. Moreover, it assumes the existence of organized employers, such as a governmental or religious institution, that facilitate regular work-for-hire arrangements, constituting salaried work. Based on this understanding, it is commonly inferred that the first salary payments occurred in villages or cities during the Neolithic Revolution, which took place between 10,000 BCE and 6000 BCE.

An ancient cuneiform clay tablet dating back to around 3100 BCE provides a record of daily beer rations allocated to workers in Mesopotamia. This tablet depicts an upright jar with a pointed base to represent beer, while a human head eating from a bowl symbolizes rations.

In the Hebrew Book of Ezra, believed to have been written between 550 and 450 BCE, the act of receiving salt from someone became synonymous with receiving sustenance, payment, or being in that person's service. During that period, salt production was tightly controlled by the monarchy or ruling elite. Depending on the translation of Ezra 4:14, the servants of King Artaxerxes I of Persia explained their loyalty in different ways, such as being "salted with the salt of the palace," having "maintenance from the king," or being "responsible to the king."

Salarium

Similarly, the Latin term "salarium" was associated with employment, salt, and soldiers, although the exact connection remains unclear. While some modern sources suggest that Roman soldiers were paid in coinage, it is proposed that the word "salarium" may have originated from the word "sal" (salt). This theory suggests that a soldier's salary could have been an allowance for purchasing salt or a compensation for soldiers tasked with conquering salt supplies and safeguarding the Salt Roads (Via Salaria) that led to Rome. However, there is no ancient evidence supporting either of these hypotheses.

There are even claims that the word "soldier" itself is derived from the Latin phrase "sal dare" (to give salt). However, mainstream sources disagree with this notion and suggest that "soldier" more likely originates from the term "gold solidus," which was a known form of payment for soldiers.

Roman Empire and medieval and pre-industrial Europe

Irrespective of the precise connection, the concept of "salarium" paid to Roman soldiers has long defined a form of work-for-hire in the Western world and has given rise to expressions like "being worth one's salt."

During the Roman Empire, as well as in medieval and pre-industrial Europe and its mercantile colonies, salaried employment seems to have been relatively uncommon and primarily limited to servants and individuals holding higher-status positions, particularly within government service. In such roles, compensation often included lodging, sexual favours, and livery clothes, representing the provision of "food, clothing, and shelter" in modern terms. Courtiers, such as valets de chambre, in late medieval courts received annual payments, occasionally supplemented by significant but unpredictable bonuses. On the other hand, those in various forms of employment either received no pay, as in the case of slavery (although some slaves were given some monetary compensation), serfdom, and indentured servitude, or only received a fraction of the produced output, as seen in sharecropping arrangements. Other prevalent models of work included self-employment or cooperative employment, as observed in artisan guilds where masters often had salaried assistants, as well as corporate work and ownership, as seen in medieval universities and monasteries.

Commercial Revolution

A significant number of jobs that emerged during the Commercial Revolution between 1520 and 1650, as well as during the subsequent Industrialization in the 18th and 19th centuries, were not typically salaried positions. Instead, if individuals were compensated as employees, they were likely paid on an hourly or daily basis, or based on the quantity of units they produced. This payment structure is also known as hourly wages or piece work.

Share in earnings

During this period, within corporations like the various East India Companies, numerous managers would have been compensated as owner-shareholders. This type of remuneration system continues to be prevalent today in fields such as accounting, investment, and law firm partnerships, where senior professionals hold equity partnerships. In such arrangements, these professionals do not receive a traditional salary but instead receive periodic "draws" against their portion of the annual earnings.

Second Industrial Revolution

The period from 1870 to 1930, known as the Second Industrial Revolution, saw the rise of the modern corporate business model powered by new technologies like railroads, electricity, and the telegraph and telephone. This era witnessed the widespread emergence of salaried executives and administrators as large-scale enterprises grew in scale and complexity.

The new managerial roles that developed lent themselves to salary-based compensation for a couple key reasons. First, it was difficult to measure the effort and outputs of "office work" in an hourly or piece-rate fashion. Second, these roles did not necessarily derive payment from share ownership.As Japan rapidly modernized its economy in the 20th century, the concept of office employment was novel enough that a new Japanese word, "salaryman," was coined to describe those performing such work. The term also referred explicitly to their salary-based mode of remuneration.

20th century

As the 20th century progressed, the growth of the service sector economy made salaried jobs even more prevalent in developed nations. In these countries, the relative proportion of positions in industrial production declined while the share of executive, administrative, computer, marketing and creative roles—which all typically offered salary-based compensation—increased. This trend reflected the transition towards a more service-oriented economic model where jobs involving non-manual "office work" became much more abundant than traditional manufacturing roles.

Salary and other forms of payment today

The concept of salary continues evolving as one component of total compensation packages offered by employers. Salary, now also known as fixed pay, is increasingly viewed as part of an integrated "total rewards" system including bonuses, incentives, commissions, benefits, perks and other elements that tie rewards to an employee's measured performance.

Compensation models have undergone significant change. Whereas jobs were once often held for life, recent data shows individuals aged 18-44 held an average of 11 jobs between 1978-2008. Compensation systems have gradually shifted away from solely fixed short-term pay towards blending fixed with variable outcome-based components. The rise of knowledge-based work has also prompted greater focus on developing partner-like engagement among employees instead of an employer-employee dynamic.

Over time, the philosophy and structure of remuneration have adapted to the evolving nature of work.

By Country

India

In India, salaries are generally paid on the last working day of the month (Government, Public sector departments, multi-national organisations as well as majority of other private sector companies). According to the Payment of Wages Act, if a company has less than 1,000 Employees, salary is paid by the 7th of every month. If a company has more than 1,000 Employees, salary is paid by the 10th of every month.Minimum wages in India are governed by the Minimum Wages Act, 1948. Employees in India are notified of their salary being increased through a hard copy letter given to them.

2. Review of Literature:

Goel (2015) examined the gender wage gap among regular wage/salaried (RWS) workers in India using nationally representative data from the Employment-Unemployment Surveys in 1999-2000 and 2009-2010. The authors looked at the gender wage gap at the mean as well as across the entire wage distribution to understand where the gaps were higher. They then decomposed the gaps into an "explained" component due to differences in wage-earning characteristics and an "unexplained" component that was interpreted as a proxy for labor market discrimination.

Sharma (2021) examined the factors affecting work engagement among faculty members in state universities in Haryana, India. The introduction provided a good overview of previous studies on work engagement, highlighting common factors identified such as job characteristics, personal resources, interpersonal relations, and organizational support. The research methodology section explained the sampling design, data collection methods, and analytical tools used. The study employed a non-probability sampling technique and collected primary data via an online questionnaire survey of 325 faculty members, with 300 valid responses. Exploratory factor analysis was used to reduce the large set of variables into a smaller set of underlying factors. The findings from the factor analysis were presented in detail, identifying 9 key factors that emerged. These included factors related to organizational respect and recognition, career development opportunities, training and development support, satisfaction with job and salary, and employee investment in their own learning. The clear presentation of the factor analysis results, including the factor loadings, was a strength of the paper.

Goyal (2022) explored the key factors that influenced the employment benefits received by households

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and individual workers under the Mahatma Gandhi National Rural Employment Guarantee (MGNREG) scheme in Haryana, India during 2019-2020. The paper built on the existing literature that had examined various aspects of the MGNREGA scheme. The study contributed to this body of literature by specifically investigating the determinants of employment benefits, such as the number of days worked, under the MGNREG scheme. The findings revealed that households belonging to SC/ST and OBC castes, as well as those possessing BPL cards, worked for more days under the scheme. The paper also highlighted that households engaged in wage labor as their primary occupation worked longer under the scheme compared to those engaged in other occupations. Furthermore, female workers received employment for a longer duration than male workers, suggesting the scheme's effectiveness in promoting gender equity. Interestingly, the study found that individuals with lower levels of formal education received more employment under the MGNREG program. This finding contradicted the common perception that the scheme mainly benefited the more educated and skilled workers in rural areas.

Urmila (2020) evaluated the profile, awareness, satisfaction, and attitudes of salaried people towards various investment options. The study found that salaried individuals were most aware of traditional investment avenues like bank deposits, insurance, PF schemes, gold, and post office savings, but had limited awareness of more complex options like mutual funds.

The second approach involved incremental scales, where long service and loyalty were encouraged through regular salary increments. In this system, job evaluation and grading were conducted for all staff, making the salary structure nonconfidential. Most schemes allow managers to provide increments for exceptional work or unsatisfactory performance, but standard increments were typically given automatically. It was customary for salaries and wages in incremental systems to remain confidential.

3. **Objective:**

➢ To Study the Factors affecting Earnings of Salaried Persons in India & Haryana.

4. **Research Methodology:**

To identify the Factors affecting Earnings of Salaried Persons (YS) following regression has been conducted taking ten independent variables namely, - Type of Job Contract (TJC), Profession (PROFS), No. of Years in Formal Education (EDU), Age (AGE), Occupation Status (OCC), Area (AREA), Social Security Benefits (SSB), Gender (GEN), Relationship to Head (RTH) and Marital Status (MS).

$YS = b_0 + b_1 \, TJC + b_2 \, PROFS + b_3 \, EDU + b_4 \, AGE + b_5 \, OCC + b6 \, AREA + b7 \, SSB + b_8 \, GEN + b_9 \, RTH + b_{10} \, MS + u$…………..1.1

, where b_i s'are the coefficients to be estimated and the u is the random error terms with usual assumptions of classical linear regression model.

5. Result& Interpretations:

Table 1: Factors affecting Earnings of Salaried Persons (All India PLFS Data)

Independent Variables	Coefficients
Constant (b_0)	8768 (1.926)[*]
Type of Job Contract (b_1)	2117 (8.259)[*]
Profession (b_2)	-7 (-5.511)[*]
No. of Years in Formal Education (b_3)	659 (4.420)[*]
Age (b_4)	518 (4.496)[*]
Occupation Status (b_5)	-276 (-4.398)[*]
Area (b_6)	3003 (4.928)[*]
Eligibility for Paid Leave (b_7)	-2669 (-4.096)[*]
Gender (b_8)	-2395 (-3.739)[*]
Relationship to Head (b_9)	-1046 (-5.352)[*]
Marital Status (b_{10})	-2559 (-3.338) [*]
R	.550
Adj R^2	0.297
F-Ratio	57.200 (11,1450)
D-W	1.500

Source: Computed by Researcher, based on data taken from PLFS (2019-2020), MOSPI.

The figures in parentheses are t-ratios. The * shows significant at 5% level.

The regression results given in Table 1shows that having a type of job contract are the most impactful factor determining earnings for regular salaried persons in All India, as it has the largest unstandardized coefficient. This highlights the importance of job security for income. Years of formal education and age also have a significant positive impact on earnings, indicating that human capital factors are important drivers of income for salaried persons. Workers in the rural sector earn significantly less than those in the

urban sector, showing the urban-rural disparity in income levels. Being eligible for paid leave and being female are associated with lower earnings, pointing to issues of inadequate benefits and gender wage gaps for some groups.

The model provides insights into key determinants of earnings for regular salaried persons across India, highlighting the impact of job security, demographics, human capital and other worker characteristics. Here are some additional details based on the regression results:

- The R and adjusted R^2 values indicate that the model explains around 30 per cent of the variance in earnings for regular salaried persons. This leaves plenty of room to improve the model by including more relevant variables. However, in present study the variables available in PLFS data have been included.

- The high F-ratio and low D-W statistic indicate that the model as a whole is significant but may suffer from low autocorrelation, which has been ignored.

- The unstandardized coefficients (b-values) represent the estimated change in earnings for a one-unit increase in the independent variable, with all other variables held constant.

- Having a job contract is associated with the largest increase in earnings ($b_1 = 2117$), followed by years of formal education ($b_3 = 659$) and age ($b_4 = 518$).

- The t-statistics and p-values show that all variables are statistically significant predictors of earnings except occupation.

- There are likely to be other important predictors of earnings not included in the model, such as industry, company size, years of experience, etc.

To make an accurate comparison with Haryana, a similar regression model has been conducted. The stepwise regression has resulted into identification of ten variables significantly affecting the Earnings of Salaried Persons in Haryana which are: Profession, No. of Years in Formal Education, Age, Occupation Status, Type of Job Contract, Area, Enterprise Type, Social Security Benefits, and Eligibility for Paid Leave and Marital Status. The categories of the nominal variables have been arranged in ascending or descending order to act as interval variables.

Table 2: Factors affecting Earnings of Salaried Persons in Haryana

Independent Variables	Coefficients
Constant (b_0)	15140 (3.657) [*]
Profession (b_1)	958 (-16.100) [*]
No. of Years in Formal Education (b_2)	958 (12.278) [*]
Age (b_3)	412 (11.245) [*]
Occupation Status (b_4)	-331 (-7.705) [*]
Type of Job Contract (b_5)	2416 (5.730) [*]
Sector (b_6)	3276 (4.761) [*]
Enterprise Type (b_7)	224 (3.650) [*]
Social Security Benefits (b_8)	-1260 (-4.168) [*]
Eligible for Paid Leave (b_9)	3832 (3.610) [*]
Marital Status (b_{10})	-1579 (-2.089) [*]
R	0.715
Adj R^2	0.509
F-Ratio	201.852
D-W	1.285

Source: Computed by Researchers, based on data taken from PLFS (2019-2020), MOSPI

*The figures in parentheses are t-ratios.

The regression results given in table 2 show that the Years of formal education has the largest positive impact on earnings for regular salaried persons in Haryana, indicating the importance of human capital for income generation in the state. Profession is strongly associated with earnings, with some occupations paying significantly more than others. This highlights occupational segregation and wage disparities within the state. Having a job contract and working in the urban sector are both correlated with higher earnings, underlining the relationship between job security, location and income levels. Social security benefits are negatively correlated with earnings, possibly because these benefits are more common among lower-paid workers.

The model provides insights into the key factors determining earnings for regular salaried persons in Haryana, highlighting the importance of human capital attributes, job characteristics and location in generating income.

Here are some additional details based on the regression results for Haryana:

- The high R and adjusted-R^2 values indicate that the model explains around 50 per cent of the variance in earnings for regular salaried persons in Haryana.

- The large F-ratio and significant p-value show that the model as a whole is a good fit for the data and the independent variables significantly predict earnings.

- The D-W statistic suggests the model suffers from positive spatial autocorrelation, so the results should be interpreted with some caution. The reason for this may be poor sampling or quality of data.

- Among the significant predictors: - Years of formal education ($b_2 = 958$) has the largest impact, associated with a Rs. 958 increases in monthly earnings per additional year of education.

- The variable Profession (PROFS) is a nominal variable having nine main categories and 113 sub-categories. The codes of these sub-categories have been arranged in descending order of complexity of work to make it behave like an interval variable. The average salary of all professions in Haryana is Rs.16568 with a standard deviation of Rs.14982 showing significant differences across professions. The coefficient of PROFS ($b_1 = -958$) shows that with jump in every category in the complexity ladder, the mean earnings per month increase by Rs. 958. It has the second largest effect, with some occupations earning significantly less than others.

- With every increased year in age the earnings per month increase by Rs. 412.

- With every additional year increased in the job contract the monthly earnings increase by Rs. 2416.

- The area is a nominal variable, and hence the earnings differential for working in the urban sector is Rs.3276 per month.

- Being eligible for paid leave is unexpectedly associated with higher earnings in Haryana ($b_9 = 3832$), which is likely indicative of a correlation rather than causal relationship.

- Important variables like industry, company size, years of experience are not included but could likely improve the model if added.

6. Conclusion:

The linear regression analysis found that several factors, including profession, years of formal education, age, occupation status, type of job contract, sector, enterprise type, social security benefits, eligibility for paid leave, and marital status, have a significant effect on the earnings of salaried persons in India &Haryana. The model has a moderate level of explanatory power, with an adjusted R-squared value of 0.509.

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