



## IMPACT OF STATIC PAY AND VARIABLE PAY - AN OUTPUT MANTRA

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### **Abstract**

*Survival of the Fittest – Charles Darwin. The Globalization and entire world as one village has given open threshold to the performance (knowledge and skill driven) as centric edge, to survive in the market place and competitive race, which is called as ‘Survival of the Fittest’.*

*Most of the organizations and sectors such as production, service, education etc., have been facing never ending challenges rather bottle-neck of technology, business strategies, work culture, diversity and of ‘Employees Citizenship’. It means employees ‘go above and beyond’ the minimum (statute) requirements of performance. It is a very distinctive aspect of an employee in the work place.*

*Of late, it has become (performance mantra) a live research topic to be studied and investigated by sociologists, psychologists, and management researchers. In the present scenario, often it is experienced that, there is lack of employee’s citizenship at the work place, though they are well paid and congenially placed. Such being attitudinal in nature, said by Cecil S. Gantalao, DM.*

*Basically this paper is an outcome of the thought processing on title, “Impact of Static Pay and Variable Pay-An Output Mantra” and a purely conceptual paper. The keen observation rather fact proven (de facto) that, most of the public sectors (Govt. associate units) and organizations are intrinsic victims of the poor efficiency and lack of effective performance as compared to the private sector. The probable reason might be the static pay scale, which doesn’t have link with the productivity of the employee’s performance and moreover employees have settled their mind on their respective remuneration and meaning thereby they are conditioned to that. They are complacent and might think that they are in the comfort zone. Perhaps an outlook of variable pay makes the employee ‘Stay Hungry, Stay Foolish’ to reach the pinnacle of work as well as they enjoy the accomplishment.*

**Key Words:** *Survival Of The Fittest, Comfort Zone, Attitudinal, Centric Edge, Intrinsic Victims and Pinnacle.*

### **INTRODUCTION**

It is always a perplexing experience as a customer that, the effective services and quality products are being giving miss-look in public sector and government organization as compared to the private institution and units. The core tool of ‘Employees Citizenship’ is a challengeable task, which is the power-house beyond expectation.

The study indicates that, the static pay/scale to the employees, most of the time makes them complacent, lethargic and lethal, where as variable pay to the employee, most of the time makes them more versatile, self-driven, sportive, effective and efficient.

The simplest working definition of the title is explained so as to understand the terms in the perspective of title of this paper, as follows,

*‘Static or scale pay means salary with year on year increment based on longevity of service period along with the statute (normally paid) allowances as component of the salary every month. Not necessarily linked with the performance, results, output, work accountability and productivity.’*

The basic locus-standi in ‘Static or scale pay’ may be the rules and regulations and government laws. And such practices are found in the Govt., setup and government associates, like public sector, affiliated, subsidiary units etc.

*‘The variable pay means subsistence salary along with variable pay / allowances, compulsorily linked with performance, results, work accountability, output, over all unit development, feasibility of the unit, effectiveness of functionality and productivity.’*

In this the basic yard-stick will be the ROI (Return-On-Investment) and performance pay, which makes instant motivation for employees’ citizenship. And such practices are generally found in the professional and reputed organization (private institution) which indeed builds the goodwill and brand of the organization, because of the productive work culture.

### **BACK DROP**

The literature review indicates that, way back in the year 1853 – 1931 the subject of “Efficiency” have been dealt at depth by Harrington Emerson, an American ‘Efficiency Engineer and Business Theorist’ in his thought of ‘Efficiency as basis of



operation & wage (1900, 1912 & 1913)' Thus, his focus was the Efficiency as a base for the wage. As well as Frederick W. Taylor has made a thought on 'Piece rate System in the year 1895 and Scientific Management in 1911, to improve industrial efficiency. To be precise the total artery of efficiency is M-tonic (Money Tonic), even in the past, today and in future too. M-Tonic is the only tool for efficiency (output mantra). Hence 'Money Tonic' is the *de facto* push and pull for the Efficiency.

### RESEARCH METHODOLOGY

This is a descriptive conceptual paper, a blend of thought and practice in the work place. Author of this paper has undergone an extensive study of literature and is enlightened with the work habits and work culture of the employees in Govt., set up and private set up. The secondary data and basic primary empirical information have been gathered from proper sources and judiciously applied to arrive at a meaningful conclusion and fruitful recommendation.

**STATEMENT OF THE PROBLEM:** It is commonly victimized by one and all, in any one given point of time, most of the employees on role/mustered are always in the habit of buck-passing the duty and responsibility, not in practice to use job autonomy effectively, particularly in Govt., set up. And in few cases, wherein staff appraisal / assessment is done periodically. Whereas we have blossomed experience with the private set up, about the service and products.

Hence this problem forges and insisted the author to study the issue and find out the reasons and craft remedial measures for effective work culture and output mantra. However this is a conceptual paper and any unfortunate resemblances and cohesiveness may be merely a co-incidence.

### SIGNIFICANCE OF THE STUDY

It is an intrinsic inbuilt human characteristic that, '*to say no to the work*' and seldom one can have sportive spirit to accept challenging task, if not motivated properly with perks and M-Tonic, the performer will get dejected. And non-performer will be a parasite on the earning of performer and will be enjoying the 'Static Pay' without any much work and accountability. To retain the resourceful-talent and to have organizational growth the 'Variable Pay' is the only answer as output mantra. Hence this study and paper is significant.

### OVERVIEW OF INDIAN INDUSTRY

The functionalities of Indian big public sector undertaking (PSU) has been studied extensively and noted that, around 70 PSU are sick. Nonetheless the Government organizations are in the loss and government has taken a decision to close down the units. The list includes Bharat Sanchar Nigam Ltd, Mahanagar Telephone Nigam Ltd, Air India, Hindustan Photofilms and Hindustan Fertilizers Corporation. The cumulative net loss was Rs.24,500/- crores in 2012-13 according to news agency Reuters.

Very astonishing news is that even monopoly business organization is also in loss notably railways; Indian Railway is the Asia's second largest network. Study reveals that, the railways is not financially sustainable and incurring losses of Rs. 24,600/- crores in the year 2012-13, in spite of the endowment features like,

- a) Domain monopoly business.
- b) Increasing traffic every year.
- c) Tariffs and fares are also increasing.
- d) No competitors whatsoever.
- e) Easy expansion of business products/ portfolios and new avenues.

By virtue of label of Government organizations, all the PSU's have lot of endowment features either by law or by nature, but still the units are not making any profit and self supported rather sick and depend on the government funds and captive business orders. This is purely because of 'comfort zone and complacent feel' of employees since they draw static pay irrespective of their accountability of duty and autonomy in work.

One can witness similar scenario in the Education Sector. As we, all know that the education is the back bone, power-house, ignition source and platform for all sort of development, albeit the output and results are not upto the requirements because the efficiency is topple-down by static pay. Hence the core focus area of this paper is the 'Efficiency in Educational Sector' viz output mantra.

### OBJECTIVE OF THE STUDY

Impact of Static Pay and Variable Pay-An Output Mantra, has n-number of objectives, like employee's job satisfaction, self motivation, and profit to the organization. Some of the main objectives focused in this paper are:



- a. To examine effectiveness of employee's citizenship towards organization.
- b. To analyze the perception of employees' on pay.
- c. To examine the impact of variable pay on the performance.

## DISCUSSION

The thumb rule in competitive market is the *Survival of the Fittest*, but to survive (survival) it has lot of components and ingredients namely, knowledge ladder, efficiency, effectiveness, working beyond expectation (employees citizenship), job accountability and autonomy, by which self motivation should take place. The bait and anchor-sheet, of all form of motivation is the 'variable pay' in other words M-Tonic.

The fixed / static pay has the component of basic pay, DA, HRA, and other fixed allowance which is drawn every month as a salary irrespective of the performance and contribution of employees. And this kind of scenario is very common in the Govt., setup organization and its associate units. The best example may be the Nationalized Banks, Grantable Teachers, and Employees in the Public Sector Companies etc., with few exceptions. In general practice on completion of each year the employees, who are on the muster, may get increment and two (2) DA in a year. The percentage of increment may be 3 percent and DA may be 14 percent (compounded for the year), altogether every year an employee may get salary hike of 10 to 12 percent. Further it is noticed that every three (3) to five (5) years, there is a pay revision.

In the variable pay the standard components are subsistence basic pay, travelling allowance and variable pay (one month or six month stagger mobility), drawn every month. In this salary the **DA will not be attached to salary** but variable pay will take care, which (variable pay) is entirely based on the performance linked and mettle of the employees. A non-performer needs to be sufficed with subsistence pay otherwise say adieu to the work and organization may issue pink-slip to the non-performer. In some cases 'Variable Pay' has a clause of Company's script performance in the stock market with the salary package. And in some cases Company offer stock / script to the employees for instance Infosys. The basic and fundamental simple principle of 'Variable Pay' is Perform and Cherish otherwise Perish. Variable Pay formula is a win-win tool for both employee and employer.

## SEMINAL IMPACT

The discussion lead is very much exploratory in nature and it may require correction in due course based on the situation and requirement. The *'Issue in the Question'* is whether Teacher should draw 'Static Pay or Variable Pay' since education sector has become more competitive, quality oriented, performance linked, goodwill driven, brand conscious, service oriented and lot more.

The intrinsic qualities of teachers are, quality teaching practices, student oriented teaching methods, go-getter with students, business acumen approaches, ethical insights etc., This is the basic function of a teacher who needs to perform.

Apart from the above, in today's competitive scenario *Survival of the Fittest*, a teacher is expected to do and organize events, admission work, and work of discipline, industrial visit, guest lectures and Institute brand building assignments. In such work, generally there are hiccups and reluctance in taking the work assignments and performing them till perfect finish with accountability and autonomy. The 'Variable Pay' may give best solution and productivity in such a polemic situation. Teachers may certainly become self-driven, self-initiative thereby stimulating them to do their own work calendar. Who performs will Cherish by drawing better 'Variable Pay' and others will Perish since they not performing.

## MODUS-OPERANDI

In '*Variable Pay Formula*' all the employees who are on the muster will get subsistence basic pay for their core duty viz teaching. The quantum of variable pay will be calculated based on the work to be performed by the Institute and allocation to the teacher. For instance Institute is likely to do 10 major programs and the total variable pay is Rs.5 /- lakh, it means each event will be for Rs.50,000/- hence it may be allocated to the lead performer and the team in the ratio of 30:70. It means the lead person will get Rs.15,000/- and balance will be divided among the committee members (generally committee member for any event would be in between 4 to 8 persons). The assumptions would be,

- a) All teachers should get fair deal by equilibrium of the work allocation.
- b) Work need to be on rotation basis.
- c) Additional task need to be incentivized based on the performance.
- d) Such work allotment at any cost should not disturb the core work viz teaching and its allied work.
- e) All the calculation at the end of the academic year, however monthly 20 percent advance may be paid based on work allotment.



The working methodology may revamp as and when it needs modification, but always it will be for betterment.

### CONCLUSION

The Static Pay, the Central Pay Commission (CPC) is in process to announce the 7<sup>th</sup> Pay w.e.f 1.1.2016, to the central government employees. The working shows that, there will be increase in pay by 16 percent; increase in allowances will be 63 percent. In total the pay packet (salary and allowances) would increase by approximately 23.55 percent, said by Aparna Ramalingam TNN, Chennai on 20<sup>th</sup> November, 2015. (Seventh Central Pay Commission may pose a challenge for fiscal consolidation: India Ratings). An estimated 47 lakh serving central government employees and 52 lakh pensioners will be impacted. The financial implication would be outflow of Rs.102,100 crore from the exchequer during the next fiscal. But nature of work / duties remains the same.

Further in the study it is noted that, most of the government organization has unfilled vacancies and the recruitments are inordinately delayed (indefinitely) since the organization doesn't have money to pay as salary to the new recruit. Study reveals that, the retirement age in few organizations has been increased and deferred the payment of their fringe benefits, due to the paucity of funds.

Hence good chunk of finance may get siphoned by virtue of 7<sup>th</sup> pay. If the link of performance missed, then the organization may bankrupt and may bog its existence, by victimizing the employees themselves. Hence it is concluded that, 'Variable Pay' would defiantly cherish both the ends, rather employees will be more benefitted because of commensuration of the pay as per the work and performance.

Secondly, an honestly dedicated, workaholic employees may work for the organization but the lethargic and lethal employee in the organization may be a parasite on the earnings. Such lop sided working culture may be very dangerous financially and organization may not grow. Hence, it is always suggested to have variable pay along with the subsistence basic pay, which is required for the core duties. Such working logic and method will have up-curve.

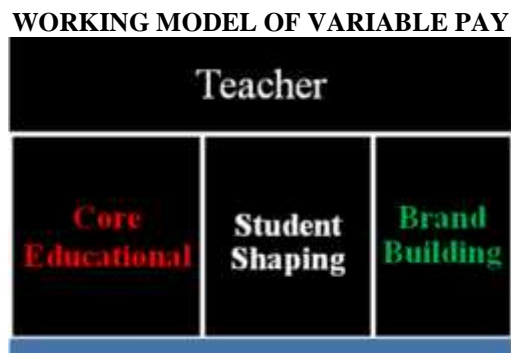
Thirdly, experience reveals that, the optimum tempo of an employee towards duty is in the age range of 45 to 55 years; thereafter the service marginal utility begins to sag. Hence the de-increment process on basic pay may be workout. For instance the basic pay of X employee on 55 years of age, may get deducting increment (de-increment) at the rate of 3 percent (today's increment rate) every year. This type of strategy will be most apt for the static pay (other components of pay remain unchanged). However consensus contemplation may put forth suitable solution.

### RECOMMEDATION

With a scientific approach and method, the work allotment may be done, so that, all the employees may get proper work allotment and compensation thereto, this should be beside the core duties. In education Institution, case by case a pilot study may be carried out before implementation of the Variable Pay and de-increment process.

The variable pay makes employees more participative, it generates belongingness, own-ness and oneness, towards organization since they are part of the revenue and profitability. A working model for the Variable Pay,

Chart / Figure No. I



### Discussion

Teacher must perform all core educational duties (teaching) and will be paid the subsistence basic pay. And for other assignments like, Brand building and Student shaping activities will certainly attract the 'Variable Pay'.

As far as de-increment process strategy is concerned, it needs to work-out with its relativity of job work-role (job description, accountability and responsibility).



Basically all these mantras will make the organization/institution more economically healthy, customer oriented, better goodwill value and very much on competitive edge. On top of it an efficient, effective and time bound performer will have fat pay-cheque due to the best performance. Nevertheless variable pay is the best leverage of output mantra.

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