



EVOLVING CHALLENGES ASSOCIATED WITH COMPENSATION

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Abstract

Due to the basic changes in organizations today and the new global challenges and opportunities there is a growing research for new compensation approaches in the hope that they will better focus employees on achieving organizational goals. The study focuses on the evolving challenges associated with compensation because it motivates important decisions of employees about taking a job, leaving a job and performance of the job. The study was conducted among the employees of various private sector organizations in SIPCOT Industrial Estate, Thiruvallur. The result of the study shows the relationship between the compensation and attrition and it also indicates there is no significant relationship between Gender and job satisfaction.

Keywords: *Compensation, Job Performance, Retention, Motivation and Job Satisfaction.*

Introduction

Compensation and Reward system plays vital role in a business organization. Since, among four Ms, i.e. Men, Material, Machine and Money, Men has been most important factor, it is impossible to imagine a business process without Men. As the business environment becomes increasingly complex and global, the challenges to create and maintain effective compensation programs, given cost constraints also requires greater professional expertise, organizational understanding, creativity and vision than ever before.

Compensation is the reward given to employees in return for their services rendered and it is often the cornerstone of a productive workforce. The quality and performance of the company's talent pool is usually directly dependent on how well they execute their compensation planning strategies.

Compensation Management is an integral part of the management of the organization. Compensation is a systematic approach to providing monetary value to employees in exchange for work performed. It may achieve several purposes assisting in recruitment, job performance, and job satisfaction. It is the remuneration received by an employee in return for his/her contribution to the organization. It is an organized practice that involves balancing the work-employee relation by providing monetary and non-monetary benefits to employees.

Compensation Management contributes to the overall success of the organization in several ways. There are three different main goals of compensation management recruiting, motivating and retaining good people have not changed over the time, but they ways in which some companies approach them differ dramatically from previous approaches.

Definition

Gary Dessler in his book Human Resource Management defines compensation in these words "Employee compensation refers to all forms of pay going to employees and arising from their employment." The phrase 'all forms of pay' in the definition does not include non-financial benefits, but all the direct and indirect financial compensations. According to Thomas J. Bergmann(1988) compensation consists of four distinct components: Compensation = Wage or Salary + Employee benefits + Non-recurring financial rewards+ Non-pecuniary rewards.

Review of Literature

A.Gerhart et. al., (1995) studied the theory and practice of compensation as well as provide an evidence on the consequences of different compensation practices their study concludes that in the area of employee compensation what works for one organization may not work at all for another. The ultimate choice of a best compensation strategy rests, of course, on its fit with other human resource activities and its fit with business strategy. Nina Gupta et. al., (2014) studied the importance of compensation management in Human resources management. How the issues human resources management is related to compensation and the various questions have been raised to increase the efficiency of the compensation management which is more important in HRM. Dr.Osibanjo Adewale Omotayo et.al., (2014) studied the impact of employee compensation on their job satisfaction and the consequent effect on their commitment to the organizational goals and objectives among Indian employees. The result of the study shows that increase in salary tends to have positive impact on job stability but it also leads to negative impact to have high expectation from the management based on pay raise.



Need For Compensation Management

- **Acquire Qualified Personal:** Compensation needs to be high enough to attract applicants premium wages are sometimes needed to attract applicants who are already working for others.
- **Retain Present Employees:** employees may quit when compensation levels are not competitive, resulting in higher turnover
- **Ensure Equity:** compensation management strives for internal and external equity, internal equity requires that pay be related to the relative worth of jobs. So that similar jobs get similar pay. External equity means paying the workers what their counterparts in other firms in the labour market are being paid.
- **Reward Desired Behaviour:** pay should reinforce desired behaviour and act as an incentive for those behaviours to occur in future effective compensation plans reward performance, loyalty, experience, responsibilities and other behaviours.
- **Control Costs:** A rational compensation system helps the organization obtain and retain workers at a reasonable cost without effective compensation management a worker could be over or under paid.
- **Comply With Legal Regulations:** A sound wage and salary system considers the legal challenges imposed by the government and ensures the employer's compliance.
- **Facilitate Understanding:** The compensation management system should be easily understood by human resource specialists, operating managers and employees.

Objectives of the Study

- To study the impact of compensation plan
- To know the job satisfaction among the employees
- To identify how many of them are ready to leave the job because of compensation

Research Methodology

Data Source	Primary Data and Secondary Data
Research approach	Survey method
Instrument used	Questionnaire
Sampling method	Simple random sampling
Sample size	50 Respondents
Tools used	Percentage, Chi-square test

The Impact of Compensation on Employee Behaviour

A compensation package does not necessarily mean rewarding in the monetary form. It also includes flexible benefits, medical care, work-life balance, as well as employee perks. Today's employees not only work for the money, but also place equal emphasis on other aspects of compensation. A good compensation package ensures:

Retention: A compelling compensation plan helps to reduce the turnover rate of the company. Employees will be more incentivized to stay in their role and this saves potential expenses related to turnover.

Motivation: Compensation is the primary motivating factor for employees to continuously push themselves to strive for greater heights. It offers them a reason to work hard and keep driving towards achieving the next milestone.

Increased Productivity: An effective compensation helps in building the positive perception and feeling about the organization which will increase the productivity of the employees that helps the organization further to achieve its long-term goal.

Job Satisfaction: An adequate compensation make employees will feel appreciated and derive job satisfaction from their job. It helps in creating the healthy working environment. It helps to build good employee, relationship so that individual goals aligns with organizational goal.

Data Analysis and Interpretation

Table 1: Age wise Calculation

Age (in Years)	No. of Employees	Percentage
18-27	3	6
28-37	19	39
38-47	22	44
47 & above	6	12
Total	50	100

Inference: The above table shows that nearly 44% of the employees were belong to the age group of 38-47.



Table 2: Table Showing Decision to Leave The Organization

Options	Respondents	Percentage
Never	5	10
Sometimes	35	70
Often	8	16
Always	2	4
Total	50	100

Inference: The result of the above table shows that 4% of the employees were ready to leave the organization. 10% of the employees never leave the organization.

Table 3: Gender and Job Satisfaction

Gender	Yes	No	Total
Male	25	10	35
Female	11	4	15
Total	36	14	50

Chi-square test

Ho: There is no significant relationship between gender and job satisfaction.

O	E	O-E	(O-E) ²	(O-E) ² / E
25	25.2	-0.2	0.04	0.001
11	10.8	0.2	0.04	0.003
10	9.8	0.2	0.04	0.004
4	4.2	-0.2	0.04	0.009
				0.017

The Calculated value =0.017 is less than the Table value = 7.815 hence the null hypothesis is accepted.

Findings and Suggestions

Table 2 shows that only 10% of the employees in private organization are strongly agree to continue their job. Pay is very important to people and very important to organizations. Compensation programs play in supporting, communicating and even leading the way to new organizational values and performance norms.

Table 3 the results of the hypothesis testing accepted the null hypothesis and results shows that there is no significant relationship between Gender and Job satisfaction. Because of the importance that compensation holds for their lifestyle and self-esteem, individuals are very concerned that they be paid a fair and competitive wage.

Conclusion

The goals of compensation management are to design the lowest cost pay structure that will attract motivate and retain competent employees. Research on high-performance indicates that characteristics of a firm's compensation system are strongly related to corporate finance performance. The government also provides a legal framework about direct compensation within which organizations must operate these rules ensure that minimum operating standards of fairness and humanity are applied to compensation matters in the employer-employee relationship. Compensation objectives are not rules, they are guidelines better the objectives are followed the more effective wage and salary administration will be.

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