

# A Study On Compensation Management With Reference To Manufacturing Companies In Coimbatore

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## ABSTRACT

In Today's Dynamic Economy, with increased corporate competition and the job uncertainty that follows hand in hand with mergers and acquisitions, it is becoming ever more important to offer employees a benefits package that they perceive to be of great value. Not only can benefits packages help to retain employees, they can help to attract qualified candidates to add to the workforce. The sound compensation system is hallmark of organization's success and prosperity. The success and stability of organization is measured with pay-package it provides to its employees. Compensation dissatisfaction can lead to absenteeism, turnover, job dissatisfaction, low performance, strikes and grievances. Majority of labor-management disputes relate to compensation. The objectives of the study are to study the compensation management practices in the organization and also to identify the type of compensation and analyze the satisfaction of workers with regard to compensation. Findings reveal that it is found that most of the employees are satisfied with the compensation policy followed at their organization and they are also satisfied with the non-monetary benefits provided, basic pay, house rent allowance, dearness allowance, conveyance allowance, medical benefits provided, over time allowance, travelling allowance. The employees are dissatisfied with the leave rules laid. From the chi-square analysis it is observed that there is no relationship between the no of years service and giving equal part in decision making process and it is also observed that there is a significant relationship between the work performance of the employee and the kind of compensation.

**KEYWORDS:** Compensation, Employees, Compensation Management, Organization

## I. INTRODUCTION TO THE CONCEPT OF THE STUDY

Employees need to be compensated for their efforts based on volume of time or volume of production. Compensation refers to all forms of financial rewards received by employees. It arises from their employment. It occupies an important place in the life of the employee. It is a considerable cost to the employer. Compensation dissatisfaction can lead to absenteeism, turnover, job dissatisfaction, low performance, strikes and grievances. Majority of labor-management disputes relate to compensation.

"Compensation refers to the extrinsic rewards that employees receive in exchange for their work. It is composed of the base wage or salary and incentives or bonuses and any benefits."

Compensation is a key factor in attracting and keeping the best employees and ensuring that the organization has the competitive edge in an increasingly competitive world. The Compensation Management component enables to differentiate between the remuneration strategies and those of competitors while still allowing flexibility, control and cost effectiveness. It provides a toolset for strategic remuneration planning that reflects the organization culture and pay strategies, and it empowers line managers within a framework of flexible budget control. Compensation Management allow to control bottom-line expenditures and offer competitive and motivating remuneration, be it fixed pay, variable pay, stock options, merit increases, or promotion – in other words, total compensation.

## II. REVIEW OF LITERATURE

Anselmo L S Teng (2018) conducted a study on "Risk and compensation management", All enterprises, should learn from this lesson that, to maintain the sustainable growth of an entity, all

compensation schemes should in future adequately reflect performance in the medium and long term as well. As a matter of fact, the compensation schemes for staff involved in the subprime bubble all had a common feature in that there were enormous rewards for deals but there was also a failure to impose penalty symmetrically when losses occurred. To put it in a nutshell, a viable compensation scheme should be well structured and be geared to the long term corporate target and strategy rather than short term profit.

Chad Mcdaniel (2020) conducted a study on “Staying Competitive with Your Management Compensation Plan”, Management compensation plan is equally as important as the time you took to define your CRM strategy. Both employers and employees have common objectives that are trying to be achieved. Planning, communicating and modifying are the key ingredients to be successful. An effective CRM strategy will not succeed without the proper planning and implementation of compensation at the management level. Compensation models are difficult. Perfecting them takes time, patience, significant job modeling and fine-tuning. But, successful organizations have found a way to balance their overall priorities and time constraints. They have spent the upfront time in developing a communication model that allows real-time measurement, observation and feedback on the relevancy and success of their compensation plans.

### STATEMENT OF THE PROBLEM

In Today’s Dynamic Economy, with increased corporate competition and the job uncertainty that follows hand in hand with mergers and acquisitions, it is becoming ever more important to offer employees a benefits package that they perceive to be of great value. Not only can benefits packages help to retain employees, they can help to attract qualified candidates to add to the workforce. The sound compensation system is hallmark of organization’s success and prosperity. The success and stability of organization is measured with pay-package it provides to its employees. Compensation dissatisfaction can lead to absenteeism, turnover, job dissatisfaction, low performance, strikes and grievances. Majority of labor-management disputes relate to compensation. This has motivated the researcher to undertake a study on the topic “A Study on Compensation

Management manufacturing companies in Coimbatore”.

### OBJECTIVES OF THE STUDY

1. To study the compensation management practices in the organization.
2. To analyze the satisfaction of workers with regard to the various types of compensation.
3. To analyze the relationship between the number of years of service and their opinion regarding equal participation of employees in compensation decision, and the relationship between the age of the respondents and the kind of compensation they prefer.

### SCOPE OF THE STUDY

The study is conducted among the employees of Sri steel industries limited. It also aims to analyse the satisfaction of the workers and the type of compensation that influence the people.

### III. RESEARCH METHODOLOGY

#### Type of Research

The type of research used in this project is descriptive in nature. Descriptive research is essentially a fact finding research related largely to the present, abstracting generations by cross sectional study of the current situation.

#### Sample Size

The study has used large sampling size. The data have been collected from 50 respondents.

#### Sample method

Strata sampling technique was used to collect the data from the total 200 employees. In this study the population of 200 is divided into segment or strata and a certain number of units are selected from each strata. The population is divided into 5 strata and 10 units is selected from each strata.

**Tools for Analysis:** The mathematical and statistical tools used in this study are Chi – Square, Mean score and Percentage analysis.

### LIMITATIONS

- The observation of the study is done for a period of 6 weeks.
- The findings of the study cannot be generalized for any industry as the problems of workers vary from industry to industry.

#### IV. DATA ANALYSIS AND INTERPRETATION

##### Demographic variables of the respondents

Demographic variables	Particulars	No. of Respondents	Percentage
Age	20-30	28	56
	30-40	16	32
	40-50	4	8
	50-58	2	4
	Total	50	100
Gender	Male	40	80
	Female	10	20
	Total	50	100
Income	<10,000	6	12
	10,000-20,000	39	78
	20,000-30,000	5	10
	Total	50	100
Number of years of service	<2	15	30
	2--4	21	42
	>4	14	28
	Total	50	100

From the above table it can be inferred that most of the respondents (56%), belong to the age group of 20-30 years followed by 32% of respondents in the age group of 30-40 years

category. majority of the respondents (80%) are male. majority of the respondents (78%) are in the income group of Rs 10000-20000. Most of the respondents (42%) have 2-4 years of service

##### Respondents' Opinion on equal part in compensations decisions

Equal part in compensation decision	No. of Respondents	Percentage
Strongly agree	21	42
Agree	23	46
Disagree	6	12
Total	50	100

It is understood from the above table that most of the respondents (46%) agree that the employees should be given equal part as the employer in the compensation decision.

##### Satisfaction with regard to compensation policy

Satisfaction	No. of Respondents	Percentage
Highly satisfied	6	12
Satisfied	21	42
Dissatisfied	13	26
Highly Dissatisfied	10	20
Total	50	100

It is understood from the above table that most of the respondents (42%) of the respondents are satisfied with the compensation policy followed in the organization.

**Respondents' satisfaction with regard to compensation policies**

Factors	Highly dissatisfied (%)	Dissatisfied (%)	Can't say (%)	Satisfied (%)	Highly Satisfied (%)
Basic pay	4	12	1	65	18
House Rent Allowance	1	15	4	23	7
Dearness Allowance	3	14	6	45	32
Conveyance allowance	5	14	6	50	25
Leave rules laid	10	26	12	2	
Medical benefits	1	3	2	52	40
Travelling allowance	2	16	2	42	38
OT allowance	4	2	5	55	34

Majority of the respondents (65%) are satisfied with the Basic pay; 23% are satisfied with the house rent allowance; 45% are satisfied with the dearness allowance, 50% are satisfied with the conveyance allowance, 2% are satisfied with the leave rules laid, 52% are satisfied with the medical benefits, 42% are satisfied with the travelling allowances and 55% are satisfied with the OT allowance.

**CHI SQUARE ANALYSIS**

**Relationship between the number of years of service and their opinion regarding equal**

Number of years of service	Equal part in decision making process			Total
	Strongly Agree	Agree	Disagree	
<2	5	7	3	15
2-4	10	11	0	21
>4	6	5	3	14
Total	21	23	6	50

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	5.295 <sup>a</sup>	4	.258

From the above table it is observed that the p value is >0.05 so null hypothesis is accepted. So there is no relationship between the number of years of service of the respondents and their opinion regarding equal participation of employees in compensation decision.

**participation of employees in compensation decision.**

**HYPOTHESIS 1:H0:** There is no significant relationship between the number of years of service of the respondents and their opinion regarding equal participation of employees in compensation decision.

**H1:** There is significant relationship between the number of years of service of the respondents and their opinion regarding equal participation of employees in compensation decision.

**Relationship between the age of the respondents and the kind of compensation they prefer.**

**H0:** There is no significant relationship between the age of the respondents and kind of compensation they prefer.

**H1:** There is significant relationship between the age of the respondents and kind of compensation they prefer.

Age of the employees(in years)	Kind of compensation preferred by respondents				Total
	Monetary	Rewards	Motivation	Holiday package	
20-30	12	7	5	4	28

30-40	8	5	3	0	16
40-50	1	2	1	0	4
50-58	1	0	1	0	2
Total	22	14	10	4	50

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	6.055 <sup>a</sup>	9	.734

From the above table it is observed that the p value is  $>0.05$  so null hypothesis is accepted. So there is no relationship between the age of the respondents and the kind of compensation they prefer.

### V. FINDINGS

- Majority (88%) of the respondents are below 40 years of age
- Majority of the respondents (80%) are male
- Majority of the respondents (78%) are in the income group of Rs 10000-20000.
- Most of the respondents (42%) have 2-4 years of service.
- Most of the respondents(46%) agree that the employees should be given equal part as the employer in the compensation decision.
- Most of the respondents(44%) agree that they are given equal pay for work of equal value.
- Most of the respondents (42%) are satisfied with the non-monetary benefits provided, followed by 38% of the respondents who are highly satisfied with the non-monetary benefits provided to them.
- Most of the employees(44%) expect house loan, incentives and vehicle loan benefits from the employer
- Majority of the employees(70%) strongly agree that the compensation policy followed in the organization is capable of retaining merit employees.
- Most of the respondents (48%) strongly agree that the organization is able to motivate the employees to perform better.
- Majority of the employees (62%) feel that the company changes the compensation policy according to the change in economy, change in the price level etc.
- Majority of the employees(70%) feel that the compensation package in the organization is equal with those in the industries.
- Majority (78%) of the respondents strongly agree that compensation package should be performance based.

### VI. RECOMMEDATIONS

- As expected by the respondents the benefits like house loan, vehicle loan and incentives can be provided.
- Respondents expect that their pay-scale should be revised in 1-3 years' time period. Management can consider the pay revision at least once in every three years.
- Respondents are dissatisfied with the leave rules of the organization. Management can laid down the leave rules in consultation with the employees , if possible.

### VII. CONCLUSION

It is concluded that most of the employees are satisfied with the compensation policy followed at their organization and they are also satisfied with the non-monetary benefits provided, basic pay, house rent allowance, dearness allowance ,conveyance allowance, medical benefits provided, over time allowance, travelling allowance. The employees are dissatisfied with the leave rules laid. From the chi-square analysis it is observed that there is no relationship between the no of years' service and giving equal part in decision making process and it is also observed that there is a significant relationship between the work performance of the employee and the kind of compensation.

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