

COMPENSATION MANAGEMENT

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Abstract:

Compensation is a systematic approach to providing monetary value to employees in exchange for work performed. Compensation may achieve several purposes assisting in recruitment, job performance, and job satisfaction. An ideal compensation management system will help you significantly boost the performance of your employees and create a more engaged workforce that's willing to go the extra mile for your organization. Such a system should be well-defined and uniform and should apply to all levels of the organization as a general system. Plus you'll enjoy clearer visibility into individual employee performance when it comes time to make critical compensation planning decisions. With effective compensation management you'll also enjoy clearer visibility into individual employee performance when it comes time to make critical compensation planning decisions. These performance appraisals assist in determining compensation and benefits, but they are also instrumental in identifying ways to help individuals improve their current positions and prepare for future opportunities. Human Resource is the most vital resource for any organization. It is responsible for each and every decision taken, each and every work done and each and every result. Employees should be managed properly and motivated by providing best remuneration and compensation as per the industry standards. The lucrative compensation will also serve the need for attracting and retaining the best employees.

KEYWORDS: Human resource, Compensation, Organization, Management, Compensation Policies.

Components of Compensation

Basic wages /salaries. These describe the monetary portion of the pay system that serves as the foundation for other forms of remuneration. It is typically a set sum that may shift in light of yearly sums or likely to repeating compensation raises. It is coordinated in light of an individual's status inside the association and changes from grades to grades.

Dearness allowance. Workers and employees are able to deal with price inflation or increases in the cost of the goods and services they use when a dearness stipend is provided. The rapid rise in prices has a significant impact on how the labour force lives. The remuneration is reduced by rising costs to zero, and Inflation is causing a decline in the value of money.

The dearness stipend, which may be a fixed percentage of the base salary, helps employees deal with the rising costs.

Bonus. There are various methods to receive the incentive. It can be a set amount of the yearly minimum salary or a ratio based on profitability. Furthermore, the government requires all workers and employees to receive at least the minimum legal incentive.

Additionally, there is an incentive programme that pays managers and staff according to the amount of sales or profit margin they accomplish. Bonus programmes may also be founded on component rates, but they are subject to labour output.

Commissions. Depending on the company's sales or earnings, managers and staff members may receive commission payments. Every goal has a predetermined percentage that has been achieved. For tax purposes, commission is once more a taxable component of compensation.

The payment of commission is frequently utilized as a component of commission in target-based sales. Depending on the outcomes, businesses may pay commissions on a daily or recurring basis

INTRDUCTION: "Compensation Management is a process of determining cost-effective pay structures, designed to attract and retain talent, offer rewards for putting in extra effort, and structured to ensure that pay levels are perceived as fair." (David A. Deconzo, Eileen B. Stewart, Robin Stuart-Kotze, and Stephen P. Robinson). The money incentive mechanisms that organizations use to pay people for the job they do for them are known as compensation systems. (Margret AnnNeale, Gregory B. Northcraft, and Linda K. Stroh). "Compensation Management" relates to payment frameworks that establish employee pay, benefits, and direct and indirect compensation.

Objectives of Compensation Management

Compensation management seeks to attain the following objectives:

1. To entice highly qualified and effective workers, whose efforts will boost organizational success.
2. To keep bright workers on board so that the organization can continue to perform well and reach better skill levels.
3. To boost employee enthusiasm and happiness in order to improve employee dedication to the organizations aims and objectives.
4. To keep market viability in order to limit or regulate the hiring of new employees, which can have an impact on how well an organization runs.
5. To recognize staff members for their profitable efforts to the bottom line of the company.
6. To enhance efficacy by integrating staff efforts with organizational performance management tools.
7. To develop company identity, which is important for creating a group of prospective employees.
8. To assist the employee in achieving his or her material, social, psychological, and fiscal wants and goals.
9. To motivate staff members to advance their knowledge and abilities by giving higher pay for better work performance.
10. To instill in workers the necessary and favored behaviors.
11. To adhere to labor and societal laws such as the Equal Remuneration Act of 1976, the Minimum Wages Act of 1948, and Section 529-A of the Companies Act of 1956.

1.1 Principles of Compensation Management

1. Ability to pay:

Employers should compensate staff members in accordance with their ability and competence to pay. A company may go insolvent if it makes payments that are in excess of its financial capacity. On the other hand, if an organization spends significantly less than it can afford to pay, it will be difficult for it to hire and keep capable workers, which will eventually hurt the organization's effectiveness.

2. Internal and external equity:

Employers are required to pay their staff members in accordance with their education, background, work duties, abilities, and success. The term for this is domestic equity. Employees' happiness, dedication, and ability will suffer if their pay is not commensurate with their training, efficiency, skills, knowledge, and performance.

Such organizations are likely to witness low employee productivity, poor quality, high turnover, poor corporate image, etc . Therefore, maintaining a proper and fair difference in employee's compensation levels in terms of their position, competence, knowledge and performance is necessary for effective business performance.

3. Performance orientation:

Compensation should be based on both organizational and individual success. Employees who perform better should receive greater pay in order to keep their improved production or performance and to motivate them to strive for greatness. Linking performance to work ethic is crucial for developing a performance-driven workplace. Where every employee willingly assumes responsibility and works with ownership. This also helps in maintaining a sense of justice and faith in the organization's leadership.

4. Non- discriminatory:

Employers must compensate their staff without discriminating on the basis of color, faith, gender, country, or heritage. For example, often female employees In India are paid far less than their male Counterparts. This is due to misplaced belief that women cannot perform as better as men do. Such biases and prejudices often rooted in our social norms and values, act as deterrent to employee performance and commitment.

5. Legal compliance:

According to the applicable rules of the country, organizations must contribute. For instance, the Minimum Wages Act of 1948 in India mandates that employees in minimum wage positions in the untrained, semi-skilled, and expert categories must be paid. This is essential character of any welfare state committed towards the goals of social justice and securing the rights of the employees to at least minimum standard of living. Therefore, an organization that does not have the ability to pay even minimum wages to it's employees has no right to exist.

6. Simplicity and flexibility:

Designing, comprehending, and implementing compensation systems should be easy. Compensation plans and policies must be adaptable in order to easily take into account the shifting requirements of the workforce, organizational goals and objectives, and employment market circumstances. To put it another way, pay administration needs to be tactically oriented.

7. Fosters employee development :

Employees should be compensated in a way that encourages them to develop their skills and abilities in line with shifting organizational requirements, technological advancements, and technological advancements. Increased differentiation on account of gaps in employee's skills and competencies acts as a motivator.

Types of compensation

The amount of pay that workers receive can influence In the form of direct financial benefits and/or secondary financial benefits in the form of perquisites, rewards at the time of, or acts. Compensation is the sum of all benefits and perks provided to workers in exchange for their services. This includes pay. When remuneration is given and handled well, it increases organizational output.

1.2 Direct compensation

The term "direct compensation" describes financial advantages offered and given to workers in exchange for the services they render to the company.

1 Basic Salary

Salary is the money that workers receive in exchange for the job they perform for a set quantity of time, such as a day, a week, a month, etc. Compensation is the payment an employee receives from their manager in return for their work.

2 House Rent Allowance

Associations either give lodging to their laborers who come from another state or country or they give them cash to cover their lease. This is accomplished in order to give them social protection and encourage them to labour.

3 Conveyance

Organizations offer their workers access to taxi services. A select few businesses also give their workers car and fuel payments to encourage them.

4 Leave Travel allowances

Organizations offer their workers access to taxi services. A select few businesses also give their workers car and fuel payments to encourage them.

5 Medical reimbursement

The wellbeing of workers is another concern for businesses. Medical claims are given to the workers for both themselves and their family members. These medical claims cover compensation for medical expenses and health insurance.

6 Bonus

Employees receive bonuses during the holiday season to encourage them and provide for their social protection. The incentive typically equals one month's worth of an employee's pay.

7 Special Allowances

Employees are given special benefits like extra pay, mobile reimbursements, food, rewards, transport costs, insurance, loans with lower interest rates, club memberships, etc. to keep them motivated and provide them with social security, which increases organizational output.

1.2.1 Indirect Compensation

The term "indirect compensation" refers to non-monetary advantages given and delivered to workers in exchange for the services they have rendered to the organization.

1. Leave Policy. Employees have the opportunity to take an appropriate amount of time off while employed by the company. The companies offer compensated breaks like maternity leaves, medical leaves (ill leaves), and informal leaves, as well as mandatory compensation, among other benefits.

2. Over time Policy. If an employee works extra, it is important to provide them with the necessary benefits and amenities, such as transportation services, overtime compensation, etc.

3. Hospitalization. To get their routine checkups, say every year, the workers should be given compensation. Even their children should be qualified for the medical claims because this would give them mental and social support.

4. Insurance. Organizations also offer health insurance and unexpected insurance to workers. This gives them mental stability and makes them feel appreciated by the company.

5. Leave Travel. As an the purpose of taking a family vacation, the workers are given time off and trip reimbursements. There are some businesses that plan a trip for their staff. Most of the time, this is done to reduce tension for the staff.

6. Retirement Benefits. Employers give benefits programs and different advantages for their staff individuals, which are beneficial to them once they reach the required retirement age.

7. Holiday Homes. Organizations offer their workers guest houses and vacation residences in various places. The majority of these vacation houses are found in hill towns and other popular vacation locations. The businesses ensure that the staff members have a trouble-free stay while they are staying at the hotel.

8. flexible Timings . Companies give workers variable scheduling options if they are unable to report to work during regular hours for legitimate personal or professional reasons.

CONCLUSION:

The motivation of the employee to improve organizational output depends on the quality of the pay plan. No one will come work for the company unless remuneration is offered. Therefore, remuneration aids in the efficient management of an organization and the achievement of its objectives. The pay system includes more than just salaries; workers also have other psychological and self-actualization requirements to meet. Therefore, payment accomplishes the goal. The finest talent will be attracted and retained by the organization with the aid of the most attractive pay. The salary should be in line with business norms.

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