

The Study of Better Compensation Management in the Successful Organization in Improvement of Higher Productivity and Profitability

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Abstract:-

Compensation management is an important human resource function. Salaries and wages issues are of concern to managers because of high cost of labour to the company. Compensation is what employees receive in exchange for their contribution to the organization. It includes all the extrinsic rewards that an employee receives during and after the course of his job. Managers are also concerned about developing pay policies and methods that help them attract, retain, and motivate employees. Compensation management plays a vital role in the effort of organization to gain a competitive advantage and to achieve its major goals and objectives. Best compensation management increase performance of employees by the making appropriate budget of training and development program, by which productivity of organization enhance. This all convert in to achieve the dream of higher profitability of the organization or company.

Keywords: - compensation management, higher cost of labour, maintain industrial peace, better performance, higher

productivity, high profitability, motivation, competitive advantage.

Introduction:-

Employee's remuneration is a major function of human resource management. The major aim of the compensation function is to create a system of rewards that is equitable to the employer and employee alike. Compensation attracts employees to the work and motivates to do better job for employer. There are some major needs and importance of best compensation management as follows:

Need and importance of better compensation management:-

1.) Economic survival :-

Best compensation management is the back bone of the company or an organization. Economic compensation is very important to employee survival in this world as well as an organization. For both an employee and organization survival better compensation management must be taken in the organization.

2.) Major role in overall organization cost :-

The compensation to the employees as well as the workers and labour plays an important role in the organization. It plays major role in overall cost of production. Wages and salaries constitute the greatest cost of doing business. So better administration is needed regarding compensation system in an organization.

3.) Major function of management :-

Compensation management is a major function of overall management as well as main function of human resource management. In an organization there are many problems found because of weak compensation management such as strikes, lock ups, conflict between employer and employees. Healthy compensation management and determination of wages and salaries are the first need of management to maintain healthy organizational peace.

4.) Fulfilment of organizational goals :-

The best compensation management system within the company fulfil the organizational and corporate goal of the company. This proper management solve so many problems of company regarding employer and employees. It makes industrial peace for organization.

5.) Main determiner of social status :-

Better employee compensation management is the main ingredient of having social status for employee and employer as well. With help of fair and sufficient salary and wage an employee get social goodwill and status in the society and survive his life in better way in the same way with the help of better compensation management an employer gets high image of company in the front of society and all employees working insight the organization or out sider of the organization.

6.) Social welfare and justice :-

An effective compensation management system comprises all ingredient and elements of social justice and welfare. It comprises all things by which social justice and welfare may become possible with the all employees working in the organization. An organization provides many facilities and amenities to the employees working in the organization like, basic pay, incentives, bonus, other extra benefits, time wages, piece wages, festival rewards and so on to make welfare and justice with the employees. Government is also interested in making national wage policy and compensation policy just because of ensuring social justice and welfare of workers and solve so many problems of them.

7.) Motivational effect :-

Best compensation and remuneration is the best motivational and encouragement element for the employees working in the organization. Better compensation management create intrinsic motivation and inspiration to work for the betterment of the company. Monetary motivation always been best motivation for the society.

8.) Create healthy and peaceful industrial relations :-

Successful remuneration management and administration alone in the condition to make peaceful industrial environment within the organization. Healthy compensation management avoid strikes, lock ups, conflict between employer and employees and so many problem surrounding in the environment of the organization. This healthy management create a peacefully industrial relation both for the employees and employer.

9.) Job satisfaction :-

Successful remuneration policy and system create and provide job satisfaction for the employees working in the organization. Organization provide them sufficient and equitable wages, salary, incentives, fringe benefits, bonus and so on to create job satisfaction among them. Job satisfaction is major element for the employees to survive in the company.

10.) Increased productivity :-

Effective and efficient compensation management system leads to increase higher productivity from the employees of the organization. They get better opportunities within the organization, they get job satisfaction with the organization, they get many fringe benefits like health insurance, life insurance, family insurance, educational amenities of their children's makes them highly motivated towards the organization which increase and create higher productivity for the organization.

11.) Chance of promotion and increment and development :-

In the best and successful compensation management system there is always a way to provide promotion, increments in salaries and wages of employees. Along with this the best compensation system comprises the facility of training and development expenses within the budget of management system which improve the skill and abilities of employees working on the specific work or the task in the organization.

12.) Reduce labour turn over and absenteeism :-

In the successful compensation policies and management, employees get what they want being in the organization from the management. It create their loyalty

towards the work of the organization. They work with their full dedication in the organization or the company. This leads to reduce in labour turn over and absenteeism in the organization.

Factors affecting compensation management:-

1.) Top level management ability to pay :-

The first factor which affects the compensation management policy to pay to the employees or worker is, the top level manager's ability and capacity of an organization to pay to the workers or employees. If large will be the capacity to pay large will be the remuneration and on the other side if low will be the ability and capacity, the low will be the remuneration.

2.) Bargaining power of employees:-

Second major and important factor which affect the remuneration decision of top level managers and affect the compensation policy is, the bargaining power of the employees at the time of appointment period. If the bargaining power will be high, the high will be compensation and remuneration and on the other side the low will be the bargaining power, the low will be the remuneration that is salary and wages of employees.

3.) Demand and supply of employees in labour market :-

Demand and supply of labour or workers plays a vital role in the process of determination of wages and salaries. If the demand will be high of competent employees in the market than the salaries will be high and on the other side if the demand will be low, than the salaries will be low of competent employees. In the other side if the supply of the labour will be high that is if the labour are easily be available for the company than company will compensate low to the labour or in the other side if the supply of labour is very low than top management compensate the labour on high scale.

4.) Productivity :-

Productivity of company determine the compensation decision of company in the management of compensation. Productivity is just related with the profitability of the company. If the productivity will be high than the compensation will be high and on the other hand productivity is low than compensation of the employees will be at low scale.

5.) Living standard and cost of living :-

Living standard and cost of living also impact on and effect on the compensation management and decisions of the top level

managers. If the living standard is very low of workers , they satisfy with the low salary given by the organization so their salary always become low and on the other side if the living standard is high of workers than they bargain to top level managers to increment their salaries and wages, than their remuneration become high on compensation scale.

6.) Business strategy of organization :-

There are some organization where top level managers have certain business strategy regarding remuneration and compensation based decisions. If their business strategy says the remuneration should be high on the specific period than it will be incremented and on the other hand if there business strategy says remuneration should not be increased to a certain period of time than remuneration will be at the same stage over a period of time.

7.) Labour budget :-

Some organization make labour budget for determining compensation policy in the process of compensation management. If the compensations labour budget is low than compensation will be low and the budget is high than

the compensation of the employees will be high.

8.) Competition :-

Market competition plays a vital role in determining the salaries and wages of the employees and labour. If the competition is high regarding getting competent employee, then salaries will be high of them and in the other side competition is low than the salaries will be low at scale of competent employees.

9.) State regulation :-

State legislation also influence wages fixation. The two important legislations which influence wages determination are: the payment of wages act, 1936 and the minimum wages act, 1948. Apart from that, the government have enacted several other laws to protect the working class from the exploitation of powerful employees. Law of payment of bonus, hours of work, equal pay for equal work are important among them.

10.) Market prices of commodities :-

Compensation decisions largely depend on the market prices of common goods and services. Government pressurizes the organization to increase the pay level according to the price level of commodities and goods of daily life of common people.

11.) Prevailing wage rates :-

Wages and salary level also depend on the prevailing wage rates in comparable industries at the same time at the same place or similar activity of the same size.

12.) Trade unions :-

Trade union also plays an important role in affecting the decision of compensation that is determination of wages and salaries for the company. If there will be higher pressure of trade union in increasing wages and salaries then wages and salaries will be high and if there will not be any pressure of trade union to increase wages and salaries before the company than salaries and wages will less of employees of company.

13.) Labour market :-

In times of full employment, wages and salaries may have to be higher to attract and retain enough qualified employees, in depression, pay can be lower. Pay may also be higher if few skilled employees are available in the job market.

Suggestion and finding:-

1. The better compensation management is very important for the company to motivate all employees of the organization.
2. Good compensation management and best

remuneration package is necessary for an organization to increase productivity.

3. Unless better compensation provided no one will come and work for the organization.
4. Best Compensation policies helps in running an organization effectively and accomplishing its objectives and goals.
5. The most competitive compensation will helps the organization to attract and

Sustain the best talent in the company or an organization.

6. Compensation policies in the organization ensure good performance, loyalty, acceptance of new responsibilities and change only through good rewards.
7. Compensation management on best practices regulate labour and administrative costs.
8. Best compensation management fix the pay as per the skills, ability and merit of the employees and content of the job.
9. It is very important for a company or an organization to effectively manage remuneration and compensation policies to maintain their goodwill and best image in front of public.

10. An effective compensation management secure internal and external equity of employees within the organization.

11. Industrial peace only be maintained only with the help of better administration and management of compensation policy. It avoids lock up and strikes and conflicts of employees within the organization.

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