

A RESEARCH PAPER ON STUDY OF COMPENSATION AND GRATUITY IN MANUFACTURING COMPANY

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ABSTRACT

Companies give to its employees' different types of benefits. As per Factory Act 1923 companies must provide different benefits to the employees. By law it is binding to every employer to provide employee benefits to its employees. Employee benefits are an important factor of a company's reputation as well as to attract the people. Employee benefits is one of the motivational parts to its employees. Different types of benefit like medical benefit, maternity benefit & others.

Keywords: Benefits, Employee, Medical, Compensation, Gratuity.

I. INTRODUCTION

The success of any organization depends on its ability to understand how human capital links to its performance and its wealth because the only vital value any enterprise has, is the experience, skills, innovativeness, and insights of its people. It is possible as a manager to do things right-lay brilliant plans, draw clear organization charts, set up world class assembly lines and use sophisticated accounting controls, but still fail by wrongfully managing employees or human assets that are available in the organization. On the other hand, many managers have been successful even with inadequate plans, organizations, or control. Human capital management tend to affect the extent to which employees perform in the organization. Human capital management factors which affect employee performance are working conditions, employer relationship, training and development opportunities, job security, and firm's overall policies and procedures for compensating employees as identified by (Nwamuo, 2019). Extrinsic compensations in terms of salary/ pay, incentives, bonuses, promotions, job security. Intrinsic compensations are intangible compensations or psychological compensations like appreciation, meeting the new challenges, positive and caring attitude from employer, and job rotation after attaining the goal.

Compensation management has been one of the major policies used in motivating employees in the private sector. Compensation is usually narrowed to cash and as a result, employers only have a tunnelled vision when it comes to the issues of compensation for their employees. Other aspects of compensation which makes up the total compensation package for the employee are not given much attention in the literature. The study emanates from the need to effectively manage the employees both at the managerial cadre and the lower cadre of the management for an effective result through compensation management. Therefore, the problem the researcher intends to investigate is to understand how compensation management influence employee commitment. The specific objective of the study is to establish the extent to which compensation management affects employee commitment.

OBJECTIVES

To provide information about employee benefits to the people. Employees should take the advantage of the benefits from the company.

SCOPE& LIMITATIONS

The study will settle on some companies' employee benefits. There are different types of employee benefits. By law some common benefits are binding on employer. It will be helpful for employee and employer.

EMPLOYEE BENEFITS

These benefits are financial or non-financial, given to employees. Bonus will be given in every accounting year of the company. Under employee welfare. Factories are regulated by the provisions of the Factories Act, 1948. All industrial establishments employing 10 or more persons and carrying manufacturing activities with the

aid of power come within the definition of Factory. The said Act makes provisions for the health, safety, welfare, working hours and leave of workers in factories, provident fund, gratuity, medical facilities, compensation and insurance policies and leaves. This factor comes under the voluntary retirement scheme several benefits given by some companies.

RETIREMENT BENEFIT

There are two types of retirement benefits generally available to workers. One is under the Payment of Gratuity Act, 1972 and the other is under the Employees Provident Fund Act. In the first case a worker who has put in not less than five years of work.

PROVIDENT FUND

12% of annual basic component to Provident Fund. This is in addition to the employee's contribution of 12% of annual basic salary.

GRATUITY

Under The Workmen's Compensation Act 1923 is one of the earliest pieces of labour legislation. It covers all cases of accident arising out of and in the course of employment' and the rate of compensation to be paid in a lump sum, is determined by a schedule proportionate to the extent of injury and the loss of earning capacity.

The gratuity is payable to all employees who complete five or more years of service. It is paid when an employee leaves the company. The basic salary for the purpose of calculation of gratuity will be the last basic salary drawn. The benefit is equal to 15 days' salary for each completed year of service. For the purpose of gratuity calculations, a month will be considered as 26 days.

The Employees' State Insurance Act, 1948 provides a scheme under which the employer and the employee must contribute a certain percentage of the monthly wage to the Insurance Corporation that runs dispensaries and hospitals in working class localities. It facilitates both outpatient and in-patient care and freely dispenses medicines and covers hospitalization needs and costs. Leave certificates for health reasons are forwarded to the employer who is obliged to honor them.

Under Work-Life Balance Software companies are providing counseling initiative, helps employee to settle in your personal and professional life.

Software companies are providing learning activities for the employees' kids.

COMPENSATION

Manufacturing companies provide a broad range of products to other businesses and to consumers directly. As demands change, manufacturers need to adapt internal processes and marketing strategies in order to continue to remain relevant in an ever-changing environment. Compensation programs must be structured to attract and retain the right talent, while being flexible enough to respond to market influences.

As compensation consultants, Compensation Resources understands the need for manufacturing companies to design pay programs that facilitate quick and efficient responses to the shifting demands of the industry. Our compensation consultants have extensive experience in conducting market analyses to ensure that clients maintain parity with the market and offer competitive pay packages to their employees. We have provided compensation consulting services to electronics, construction, durable, nondurable, food, machinery, and parts manufacturers, from the production floor to the leadership team.

Compensation includes to help decision-makers set pay with confidence across numerous rewards elements. Key compensation details available in all countries include:

- Base Salary
- Allowances (Cars, Housing, etc.)
- Fixed Compensation
- Actual Bonus Payouts
- Target Bonus Percentage/Value
- Total Cash Compensation
- Annual/Ongoing Equity Value

- Annual/Ongoing Equity Eligibility
- New-Hire Equity Value
- New-Hire Equity Eligibility
- Equity Vehicle Mix

It is an obvious fact that effective implementation of favorable compensation management will not only aid in stabilizing and retaining employees but also helps in reducing labor turnover within the organization. Employees' compensation can be seen as all forms of financial returns and tangible benefits that employees receive as part of an employment relationship. It can be referred to as the totality of the financial and non-financial rewards an employee receives in return for his/her labor or services.. Compensation management refers to the process of establishing the structure of wages level for the various positions designing incentive systems, setting individual wages and incentives within the established structures. It is an integral part of human resources management that affects the performance of employees because it establishes the degree of relationship between employer and the employee. The manufacturing sector is one of the sectors responsible for the food and beverage industry. It is one of the sub-sectors of the manufacturing sector but responsible for the manufacturing of daily products, beverages, seasoning, convenience foods confectionaries and staple foods.

LUNCH

Free lunch is provided to all employees on working days.

FLEXI-TIMINGS

Employees can take advantage of flexi-timing and manage their schedules accordingly.

BROADBAND ACCESS

Employees can expense broadband access from their home with manager approval if there is sufficient business need for the employee to have remote access.

LEAVE

PAID LEAVE

In addition to 12 national holidays, employees are eligible for paid leave. Paid leave begins accruing from the first day of employment and accrues at the rate of 1.25 days per month during the first year of service.

MATERNITY LEAVE

Full-time female employees can take up to 12 weeks of maternity leave according to the Maternity Benefit Act. A certificate from a Registered Medical Practitioner confirming the pregnancy and the expected date of confinement is required. Additional leave without pay is at the discretion of management.

SUGGESTIONS

Manufacturing Companies should provide Counseling facility to its employees. Encourage to the employee's family and kids.

II. LITERATURE REVIEW

1. However, direct compensation fully mediates the relationship between indirect compensation and performance (Namasivagam and Zhao 2007).
2. A statistically significant and positive relationship was found to govern rewards and motivation, implying that if rewards being offered/ to employees were to be altered, then there would be a corresponding change in satisfaction and work motivation while the periodic salary increments, allowance, bonuses, fringe benefits and other compensations on regular and specific periods keep their morale high and makes them more motivated (Danish and Usman 2010).
3. The effect of compensation is explained by many established motivational theories. The operant theory is based upon the premise that behavior or job performance of an employee is not a function of inner thoughts, feelings, perceptions and emotions but is keyed to nature of the outcome of such behavior. The consequence of a given behavior would determine whether the same behavior is likely to occur in the future or not. (Chandan 2005)
4. Based on this direct relationship of behavior and consequence rather than the inner working of employees,

management can study and identify this relationship and try to modify and gain control over behavior.(Chandan, 2005).

5. It is therefore necessary for managers and employers to understand the fact that compensating an employee will definitely improve employees performance, necessary for continuous motivation in order to fast track the improvement of employee performance. Chandan (2005) viewed Abraham Maslow theory based upon two assumption, first human beings have many needs that are different in nature ranging from biological needs at the lower level to psychological needs at the upper extreme.

6. Secondly, that these needs occur in an order of hierarchy so that lower level needs must be satisfied before higher level needs arise or become motivation. Maslow theory made management aware that people are motivated by a wide variety of needs and management must provide an opportunity to satisfy these needs through creating a physical and conceptual work environment, so that people will be motivated to achieve organizational goal. This implies that, for an organization to achieve its state objective d through improved employees,

7. performance there is need to adequately continuous and constantly compensate employees effectively. However, these needs range from physiological. A compensation theory of motivation vroom's expectancy model which is based on the assumption that man is rational being and will try to maximize his pay off this approach assume that motivation to work is strongly determined by an individual perception that a certain type of behavior will lead to a certain type of outcome.

8. This is to ascertain the fact that compensation package has positive correction with employees performance. This theory postulated three elements which are expectancy, Instrumentality and valence. Expectancy views a person's perception of the likelihood that a particular outcome will result from a particular behavior or action for example; if an employee work works hard he/she will improve productivity, which may definitely lead to more compensation. However unimproved productivity or performance may not expect an increase in compensation. Instrumentality relates to a person belief and expectation that his/her performance will lead to a particular desired reward. For example an employee may work hard in order to increase his/her performance which will definitely lead to a desired reward inform of increased compensation. However valence is the value a person assigns to his/her desired reward. He /she may not be willing to work hard to improve performance if the reward for such improved.

III. RESEARCH METHODOLOGY

Search from Internet, Books & also with the help of questionnaire.

This study makes use of survey research design that allow for the use of questionnaires to elicit data from the respondents. According to Nworgu (1991), a design can be defined as a plan or blue print which specifies how data relating to a given problem should be collected and analyzed. It provides the procedural outline for the conduct of any given investigation.

STUDY POPULATION/ SAMPLE

The actual population of this study is the entire staff of a reputable organization in the Food and Beverage Sub-Sector of the Manufacturing Industry.

SAMPLING AND SAMPLE SIZE

A sample of one hundred (100) respondents was randomly selected and was administered but 60 were duly completed and returned. The actual population of this study is the entire staff of reputable organization in the Food and Beverage Sub-Sector of the Manufacturing Industry, and considering the various constraints associated with the population, an appropriate sample was randomly selected to represent the entire population.

SOURCES OF DATA

Primary and secondary sources were used. The use of questionnaire was employed to gather necessary and relevant data from the respondents. These methods were used in order to minimize the problems associated with data collection and to ensure that the results are visible and bias free as expected. The questions were designed to sample the views of the respondents on the effect of compensation management on employees' performance.

METHODS OF DATA ANALYSIS

This section entails the analyzing of data and interpreting data collected from the population sample. Data was analyzed using inferential and descriptive statistics. The descriptive statistics involves frequency table, Likert scale while the hypotheses were tested using Analysis of Variance(ANOVA) the use of distributive statistics was considered because of the nature of data used by the researcher

IV. CONCLUSION

Employee benefits is a must in each and every organization. Employees should take the advantage of Employee Benefits. Use of employee compensation in the deposit money banks as a motivational and employee retention strategy has a direct effect on employee commitment. However, the some banks did not seem to have put proper structures to address employee compensation. This could have negative consequences for the banks when trying to retain its employees since employee compensation directly affects both affective, normative and continuance commitment. Although finding indicates a moderate relationship between compensations and commitment, it still has a significant impact on the commitment of employees.

The monetary value of the compensation is less important, but the way in which organizations determine pay is clearly a concern to employees in large organizations. Employees constantly review if their salary is still competitive. Informing employees on the process of determining pay levels could change this perception. The study recommends that the management of selected deposit money banks should work on improving employees' salaries, commissions and other direct compensations.

The management of selected deposit money banks may also encourage employees with awards and gifts in order for them to happy and put all best efforts in the organization objectives and goals.

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