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An Analytical Study of Compensation Management

Dr. Sangita Pankaj Hadge

Associate Professor

Dept. of Commerce & Management

Samarth Mahavidyalaya

Lakhani.

District: Bhandara, Maharashtra,

India.

Abstract: Employees, in exchange of their works, expect some appreciation. Financial incentives is considered the most important motivation for employees, though non-financial incentives work efficiently. The aim of compensation management to motivate and retain in the job. Compensation is the reward of employees which receives in their sacrifices for the organization. Compensation management helps the organization to retain the labour force in the organization. Compensation management adopts the various policies and wage structure to attract and employees in the organization. As compare to the financial incentives the non-financial incentives are more attracted.

In this paper we see the policies of the compensation adopted by the organization and the process of the compensation management.

Keywords: Job ranking, Grading, point system, Compensation data, Pay levels.

I. INTRODUCTION

Compensation Management studies all the financial and non-financial benefits received by the employees to attract the compensation policy in the organization. Pay may be received directly in form of cash or indirectly through benefits and services. Programmes that distribute compensation to employees can be designed in an unlimited number of ways and a single employer typically uses more than one programme.

Employees left the job immediately if they are not satisfied with the compensation policies of the company. So Compensation management is now essential in any organization to retain the employees.

II. OBJECTIVES OF COMPENSATION MANAGEMENT

- Reward desired behaviour: Non-Financial incentives reinforce desired behaviours and retain the workers in an organization.
- Control costs: It is essential to construct and form the compensation system under cost control of an organization. Control costs is the main objective of any organization and is changes the compensation policy of any organization in all over India.
- Comply with legal regulations: A good and the best wage system is that in which they should follow the legal obligation and they follow the law which is implemented by the government.
- Acquire qualified personnel: Compensation must attract the labour force working in an organization. Pay levels must respond to supply and demand of workers in the labour market since employees compete for wages.

- Retain present employees: If compensation policy is better and effective the workers will retain in an organization
- Ensure equity: Compensation management strives for internal and external equity. Every organization should confirm that similar job of nature get similar pay so that workers should work effectively in the organization.
- Facilitate understanding: The compensation system is good and fair if it is understood by every employee working in the industry.
- Further administration efficiency: In an organization the Wage and salary policy such that organization utilizes maximum use of labour force. It should be a secondary consideration compared with other objectives.

III. PROCESS OF COMPENSATION MANAGEMENT

- ❖ Job analysis: Job analysis collects information about jobs to produce job and position descriptions. In job analysis the information about the employees should be shared with the department of Human resource so that they should identify and work smoothly in an organization.
- ❖ Job evaluations: Job evaluations approach to job evaluation considers the responsibilities, skills, efforts, and the working conditions of the job.
- ❖ Job ranking: In job ranking to arrange jobs in a simple rank order, from highest post to lowest post.
- ❖ Job grading: It is a slightly more sophisticated method than job ranking, though still not very precise. In this method, each job is assigned a grade or a class.
- ❖ Factor comparison: In factor comparison the job should be compared.

IV. SOURCES OF COMPENSATION DATA

- ❖ Survey procedures: To overcome the limitations of published surveys, some human resource departments conduct their own wage and salary surveys.
- ❖ Pricing jobs

In pricing jobs, the job evaluation should be similar of the market. Two activities are involved: establishing the pay level and pay structure effectively.

- ❖ Pay levels

The pay levels should be worthwhile. A job's relative worth is calculated by what market pay and the demand and supply of the labour force in the market.

V. CONCLUSION

Compensation management is the need of any organization. Many organizations continuously formulate and implement of compensation. Top management Teams survey across the market and they find the compensation adopted in the different sectors and thus it is the essential part of the top management teams to adopt the new policy.

Compensation management increases and boost the energy level of an employee. The employees also work in such organization where firms adopt the compensation management fairly.

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