



**A STUDY ON EMPLOYEE COMPENSATION IN WATCH PRODUCTION COMPANY
WITH SPECIAL REFERENCE TO COMPANY – HOSUR TALUKLS, TAMILNADU**

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ABSTRACT

The Article work was carried out Employee Compensation Management is an integral part of the management of the organization. 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. To be effective, the managers must appreciate the value of competitive pay, their human resources, and have an investment view of payroll costs. It is of prime importance for an organization to

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maintain pay levels that attract and retain quality employees while recognizing the need to manage payroll costs. The literal meaning of compensation is to counter-balance. In the case of human resource management, compensation is referred to as money and other Benefits received by an employee for providing services to his employer. Money and benefits received may be in different forms-base compensation in money and various benefits, which may be associated with employee's service to the employer like provident fund, gratuity, and insurance scheme, and any other payment which the employee receives or benefits he enjoys in lieu of such payment. "Compensation includes direct cash payments, indirect payments in the form of employee benefits and incentives to motivate employees to strive for higher levels of productivity". Compensation is a tool used by management for a variety of purposes to further the existence and growth of the company. The data needed for the study has been collected from the employees through questionnaires and through direct interviews. Analysis and interpretation has been done by using the statistical tools and data's are presented through tables and charts.

Key words : Compensation, systematic, job performance, quality, employee's service

CHAPTER -1

1.1.INRODUCTION

Compensation means all forms of financial returns and tangible services and benefits which employees receive as part of an employment relationship. Organization has well established compensation program. For company, the resources running Packages are not machines, but the

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people. It does not seek employees but seek people who will think, feel, express themselves, learn, teach, and grow with it. Their growth is the company's growth. Packages Ltd has designed an impressive range of facilities and services to free its people from worries and allow them personal and professional freedom.

Pay Packages

Pay packages are mostly determined on the basis of performance, qualification, and annual confidential report received from the department head. Pay packages are not common for each department but it differs from one department to another. Compensation packages are mostly designed by the top management according to company policy affected.

Mode of payment

On monthly basis

Employees working in the offices/ security/transport and those performing supervisory nature of jobs on the process are paid on monthly basis.

On hourly basis

All the employees working on the process and Departments ancillary thereto and not performing supervisory jobs are paid on hourly basis. Their wages are calculated on the basis of 8 hours daily for 26 working days.

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Employment Benefits

Bonus

A cash bonus is paid annually to all employees subject to the profitability of the Company at the end of its financial year i.e. 31st December.

Provident Fund

On confirmation, the permanent employee becomes the member of Packages Employee Contributory Provident Fund and contributes 10% of the basic pay plus cost of living allowance earned by him in a respective month and an equal amount is accredited to the name of the employee by the Company. An employee is entitled to take loans on refundable and non-refundable basis from his provident Fund.

Worker's participation fund

All the employees covered under the worker's Profit Participation Act are paid some %age of the profit as specified there under.

Telephone facility

In order to ensure that key executives are available in case of emergency, the Company encourages them to have telephone at their residence for which they are allowed part reimbursement of their telephone bills.

Cycle facility

All permanent employees up to grade- V can get cycles in easy installment.

Motorcycle loan facility

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All permanent employees up to JE are eligible to take loan from this scheme in seniority basis. The company arranges for the loan from the Bank which is re-paid in monthly installments along with the interest thereon.

Service Award

On the completion of 20 years, 25 and 30 years service, Company gives gifts as a token of its appreciation of continued association and loyalty of employee with management.

Annual Increment

Annual increase in remuneration of an employee is made in the 1st of April every year. This increase is subject, however to the performance of the individual during the preceding period. In case, if an employee improves his qualification in line with his duties, he is allowed and increment in his regular grade.

Leave entitlement

- Annual leave
- Casual leave
- Medical leave
- Hajj leave
- Compensatory leave

Benefits in Shape of Incentives

Attendance allowance

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All the employees up to JE grade are given attendance allowance as specified in the Rules provided they have not:-

- Reported late for duty by 15 minutes for more than 3 days in a month
- Availed more than 3 casual leaves
- Availed leave without pay or social security leave:
- Absented for any day in a month

Production incentive

The management has set up a production incentive scheme for various machines or jobs as the case may be. To motivate employees for higher production a certain base rate i.e. minimum required production, for a machine/ job, for a specified period, has been fixed.

Retirement Benefits

Social Security

The most important function of company is to give medical facility through social security. Every worker with pay scale 5000/- or 177/- per day wages is entitled to the social security. A form is issued which, after various counter signs results into issuing social security card to the worker and he/she gets benefit of free medical facility. Company pays 7% of their wages/ salary as contribution to the social security institution which provides medical coverage to employees and their direct dependants and compensation in case of total/ partial, temporary/ permanent disablement or death arising out of course of employment.

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1.2 OBJECTIVE OF THE STUDY:

- To know about the Employee compensation & Benefit management system.
- To know the compensation & Benefit management system of watch production company
- To know the employee satisfaction level of watch production company watches with the company's
- Existing compensation & Benefit system.
- To identify the problem of compensation & Benefit management system of watch production company watches
- To provide the necessary recommendation about the compensation & Benefit package of watch production company watches.

1.3. SCOPE OF THE STUDY:

The scope of this project is to study of the compensation management strategies in to evaluate the behavior & performance of employee on their work. To establish pay rates to different level of employee and to understand the impact of compensation management on performance level. Compensation management helps to determine the relative worth of a job in an organization in a systematic, consistent and accurate manner. It also helps in estimating the basic pay for each job in accordance with the importance of the job in the organizational hierarchy .once a basic pay is determined , the rewards , incentives and benefits attached worth

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the pay, positions and performance are also determined . The basic wage, incentives and rewards and benefits, together form the compensation package of an employee.

1.4. LIMITATIONS OF THE STUDY

- This study limits to the geographical area of watch production company watches
- As the respondents were busy with their work, it was difficult for the researcher to meet the respondents and gain information.
- The study was limited to a short period only.
- The data depends totally on the respondent's view, which may be biased.
- In this study the sample size is 100.
- The findings of the study cannot be applied to all other fields since it lacks external validity.

CHAPTER – II

LITERATURE REVIEW – EMPLOYEE COMPENSATION

Not only in practice but also in theory the debate on what determines executive pay levels and structures is still ongoing. There are various theories used to explain executive pay, however the field is still dominated by the perfect contracting approach of agency theory as introduced by Jensen and Meckling (1976). This suggests that executive pay is an instrument to alleviate agency problems that is to render executive pay is an instrument to align the interests between shareholders and management (Bebchuk and Fried, 2004).

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The terms of executive compensation are viewed by that of market forces and behavioral assumptions, resulting in pay setting being “simply” seen as a matter of optimal pay design (Gomez-Mejia and Wiseman, 1997). Market forces at times are assumed to lead to optimal pay levels and structures; in an effort to compensate executives for the risks they are willing to take to manage corporations in the best interests of its shareholders (Jensen and Meckling, 1976, Jensen and Murphy, 1990b). As a result of this it may come then as no surprise that one of the most studied relationships in the executive pay literature is the correlation between pay and firm performance (Gomez-Mejia, 1994; Barkema and Gomez-Mejia, 1998). An observable positive pay and performance link can validate that executive’s risk taking behavior with possible returns should be justified by incentives. Thereby, given conditions of imperfect monitoring in practice it would show that shareholders are able to write efficient contracts that align their interests with that of management.

Largely overlooked in most of the executive pay literature, are associated theories which provide explanations of legitimate practice in executive (Zajac and Westphal, 1995). The theories tend to focus much more on the contextual conditions under which actual decisions on pay are made. These theories tend to focus more on the socially constructed symbolic value that executive pay should represent. The first theory “Managerial Power Theory” states that CEO’s who control inconceivable amounts of other people’s money, lack the basic financial incentive structures that most middle managers have. Without these incentives, CEOs are likely to pursue their own interests at the shareholders’ expense. Consequently CEO pay has grown by gigantic

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leaps in the past two decades, far outpacing inflation or the increases in the salaries paid to lower level workers, earning some four hundred times as much as factory workers do. (Dorff, supra note 2, at 823).

The second theory Optimal Contracting Theory surrounds corporate governance including the process by which boards negotiate CEO compensation. Optimal Contracting theorists explain CEOs' rich compensation as evidence, not that boards are captured, but that CEO level skills and experience are rare and valuable. CEOs command large salaries for the same reason highly successful professional athletes and actors do: their skills are scarce and very productive (Bainbridge, 2002).

The third theory Group Dynamics Theory (GDT) Behavioral economists and social psychologists have for decades studied a set of behavioral phenomena termed "groupthink" stemming from membership in a cohesive group, such as a public corporation board of directors. Irving Janis, the leading pioneer in the field, identified seven flaws that often recur in the decision-making processes of such groups (Jensen, 1990). Organizations suffering from groupthink rarely consider more than a few options when faced with a decision. They generally fail to examine the goals they seek to meet with the decision, and seldom consider non-obvious disadvantages beyond the obvious of the plan initially favoured by the group (Janis, 1982).

As the theories has shown there is a wide viewpoint concerning executive compensation. Corporate boards' failure to choose efficient modes of compensation may therefore result from a

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paucity of considered options and a failure to examine possibilities closely and in relation to the boards' goals.

Organizational Commitment Organization commitment can be defined as affiliation of employees to the organization and involvement in it. In general there are three dimensions of commitment which are continuance commitment, affective commitment and normative commitment (Allen and Meyer, 1996; Karrasch, 2003; Turner and Chelladurai, 2005; Greenberg, 2005; Boehman, 2006; Canipe, 2006). All these types are independent in nature and are shown by individuals at different levels in organization (Meyer & Allen, 1997).

Porter et al., (1974) defined the organizational commitment as believing and accepting the goals and values of organization and possessing and showing desire to be part of the organization.

In the early 20th century, the America government took a significant role and began to introduce several changes in many aspects of workers pay and remuneration. This brought about Acts such as the fair Labour Standards Acts of 1938, which dictated equal pay for equal work. However, recessions dotted the following twenty years but later on the economy boomed and government played an increasingly important role in America's workplace by ratifying the equal pay Act Executive order 11246, Title 7 of the Civil Rights Acts in 1963(Noe, Hollenbeck, Gerhart and Wright 2003; Switzer, 2004).

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For example in Nigeria, in line with the workmen's compensation Decree of 1987, all organizations and businesses are to provide workers' compensation coverage for the benefit of their employees who may be injured or incapacitated while on the job. This is followed by pensions Reform Act of 2003 which requires every employment to maintain a life insurance policy in favour of an employee for a minimum of 3 times the annual total emolument or pay of the employee (Aloysus, 2007).

The same way, history of wage reviews fought by workers can be traced to 1945 when workers staged the famous 45 days general strike for a Cost Of Living Allowance (COLA). In 2007, Nigerian workers demanded for a 25% increase in general wage through the Ernest Shonekan wage consolidation committee and this was arbitrarily cut down to 15% by Obasanjo government in 2009. Nigerian workers have struggled for fifteen times to have wages improved and a national minimum wage legislated upon. However, the struggles produced notable victories for workers and the Nigerian Labour Congress (NLC), and it was usually the case. (<http://www.nlcng.org/minimum%20wage.pdf>)

Compensation as it were is a complex topic that has significant impact on organizational success (Dessler, 2005), and for any organization to succeed, it must not look up to capital investment but to its employees as the fundamental source of improvement with the understanding that the human element and the organization are synonymous (Tella. Ayeni, and Popoola, 2007). According to Cascio (2003), the objective of the design of compensation

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program is divided into two, which are, direct and indirect forms of compensation. Direct compensation has to do with wage and / or salary aspect while indirect compensation is the fringe benefits a worker enjoys as a result of working in an organization. Integrating the two into a package that will encourage the achievement of an organizations goal is what compensation is all about.

CHAPTER -3

RESEARCH METHODOLOGY

The procedures by which researchers go about their work of describing, explaining and predicting phenomena are called methodology. Methods comprise the procedures used for generating, collecting and evaluating data. Methods are ways of obtaining information useful for assessing explanations.

RESEARCH DEFINITION:

The definition of research given by Creswell is "Research is a process of steps used to collect and analyze information to increase our understanding of a topic or issue". It consists of three steps: Pose a question, collect data to answer the question, and present an answer to the question.

Research Design:

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The type of research chosen for the study is descriptive research. In descriptive research various parameters will be chosen and analyzing the variations between these parameters. This was done with an objective to find out the motivation level of the employees.

Data Sources:

The data collected for the study is mainly through the distribution of questionnaire; to be precise the data collected for study was both primary and secondary source.

Primary Data:

Primary data is the information collected for the first time; there are several methods in which the data is compiled. In this project it was obtained by mean of questionnaires. Questionnaire was prepared and distributed to the employees.

Secondary Data:

Secondary data needed for conducting research work were collected from company websites, library and search engines.

Research Instrument:

In this study the primary data was collected by survey technique. In this we distributed the questionnaires to the respondents. The researcher structured the questionnaire in the form of:

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1. Close Ended Questions

2. Multiple Choice Questions

Questionnaire:

A questionnaire is a sheet of paper containing questions relating to contain specific aspect, regarding which the researcher collects the data. Because of their flexibility the questionnaire method is by far the most common instrument to collect primary data. The questionnaire is given to the respondent to be filled up.

Sampling Design:

Sampling design is to clearly define set of objective, technically called the universe to be studied. Sampling technique used is simple random sampling method.

Sample Size

This refers to the number of items to be selected from the universe to constitute a sample. The sample size for this study was taken as 100.

STATISTICAL TOOLS USED

SIMPLE PERCENTAGE ANALYSIS

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The collected primary data from 100 respondents were analyzed using simple percentage method. To find out the percentage of respondents, the respondents were classified into different factors like age gender etc... the extent of satisfaction level of the respondents under each classification was also found out.

$$\text{Simple Percentage analysis (\%)} = \frac{\text{Number of respondents}}{\text{Total Number of respondents}} \times 100$$

CHAPTER – 4

ANALYSIS AND INTERPRETATION

This chapter deals with the analysis and interpretation of *study on employee compensation with reference to watch production company watches*. The data collected from the samples have systematically applied and presented in the tables under various headings in the following pages. They were also arranged in such a way that, a detailed analysis can be made so as to present suitable interpretation for the same. The following tools and techniques were used for analysis of the data collected.

- ✓ Percentage Analysis

CHAPTER -5

5.1 FINDINGS

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- Majority 54% of the respondents are 'Female' only.
- Majority 31% of the respondents are between '18-25 years' and the same level of percentage in the category '26-35 years' of age.
- Majority 73% of the respondents are 'Married'.
- Majority 31% of the respondents are 'Graduate' and the same level of percentage in 'Post graduate'.
- Majority 31% of the respondents' monthly income is between 'Rs.10,000-Rs.20,000' and the same level of percentage monthly income is 'Above Rs.20,000'.
- Majority 31% of the respondents' family size is 'Two' as well as the same level of percentage family size is 'Three'.
- Majority 39% of the respondents stated 'Management' as important factor for job satisfaction.
- Majority 31% of the respondents stated 'Strongly Agree' for the statement '*The salary gives good feeling & personal accomplishment*'
- Majority 31% of the respondents stated 'Agree' as well as 'Neutral' for the statement '*Rewards should be given on the basis of better performance of the employee*'.
- Majority 46% of the respondents stated 'Strongly Disagree' for the statement '*Compensation Commensurate with all levels of employee*'
- Majority 29% of the respondents stated 'Strongly Agree' for the statement '*Whether the management provides salary on time every month*'.

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- Majority 29% of the respondents stated 'Agree' for the statement '*Whether wages, salaries and increments are followed every year*'.
- Majority 33% of the respondents stated 'Neutral' for the statement '*The wages and salary system for all employees in Titan Company is satisfactory*'
- Majority 31% of the respondents stated 'Neutral' for the statement 'Wage & Salary structure implemented according to qualification & experience'.
- Majority 40% of the respondents stated 'Agree' for the statement '*Bonus & Incentives are they Relative to the Employee's Contribution*'.
- Majority 40% of the respondents stated 'Agree' for the statement '*The Company paid for employee's overtime hours*'.

5.2. SUGGESTIONS

- From the findings, it is suggested that the **WATCH PRODUCTION COMPANY** Company have to build the management team stronger in order to maintain the job satisfaction, since most of the respondents mentioned management as the important factor for job satisfaction.
- It is suggested to maintain the salary level as earlier since the respondents are satisfied with the current salary level.
- Motivational Rewards should be given more on the basis of better performance of the employee
- The company has to provide compensation commensurate with all levels of employee.

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- The company should maintain the salary distribution on time every month.
- The company should follow regular increments in wages and salaries every year.
- The company should follow proper wages and salary system for all employees
- The company should follow wage and salary structure according to qualification & experience.

5.3. CONCLUSION

Organizations have now started realizing that the systematic attention to human resources is the only way to increase organizational efficiency in terms productivity, quality, profits and better customer orientation. HR can help deliver organizational excellence by focusing on learning, quality, teamwork, and through various employee friendly strategies. Therefore a fair compensation system is a must for every business organization. The fair compensation system will help in the following: If an ideal compensation system is designed, it will have positive impact on the efficiency and results produced by workmen, such system will encourage the normal worker to perform better and achieve the standards fixed. This system will encourage the process of job evaluation. It will also help in setting up an ideal job evaluation, which will have transparency, and the standards fixing would be more realistic and achievable. Such a system would be well defined and uniform. It will be apply to all the levels of the organization as a general system. The system would be simple and flexible so that every worker/recipient would be able to compute his own compensation receivable. Such system would be easy to implement, so that it would not penalize the workers for the reasons beyond their control and would not

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result in exploitation of workers. It will raise the morale, efficiency and cooperation among the workers. It, being just and fair would provide satisfaction to the workers. Such system would help management in complying with the various labor acts. Such system would also bring about amicable settlement of disputes between the workmen union and management. The system would embody itself the principle of equal work equal wages. Encouragement for those who perform better and opportunities for those who wish to excel.

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