

A Study of Employee Compensation: Policies and Practices in MSN Laboratories Hyderabad

¹Dr. D.M. Sheaba Rani, ²G. Sri Ranjitha, ³K. Venkatarattaiah

¹Professor, ^{2,3}Full Time Research Scholars
Department of Commerce and Management Studies,
Andhra University, Visakhapatnam, Andhra Pradesh, India

Abstract-The purpose of this paper is to study the employee compensation. The data was collected from the employees of MSN Laboratories located at Hyderabad. The data was collected by using as structured questionnaire. Statistical tools such as percentages and ranking method were used for data analysis. A sample size of 380 employees was taken for the present study. The researchers used stratified sampling, proportionate sampling and simple random sampling techniques for selecting the respondents. The study shows that nearly 60 per cent of the respondents are receiving salaries in between 10,001-30,000. A highest majority of the total sample respondents are satisfied with their salary to some extent. The study also noticed that a vast majority of 88 per cent of respondents revealed that the management is considering the improvement of qualification for future promotion.

Keywords-Compensation, Employee, Emoluments, Wage components, Profit

INTRODUCTION

Compensation describes the cash rewards paid to employees in exchange for the services they provide. It may include base salary, wages, incentives and/or commission. Total compensation includes cash rewards as well as any other company benefits. Employee compensations refer to all forms of pay or reward going to employees and arising from their employment. Rewards include direct compensation, indirect compensation and non financial reward. Developing an effective and appropriate compensation system is an important part of the human resource process. An effective and appropriate compensation system can help, attract and retain competent and talented individuals who can help the organization accomplish its mission and goals. (Dessler, 2002)¹. According to Ivencevich (1998)², compensation has been recognized as a major motivator of employees. Employee compensation plays such a key role because it is at the heart of the employment relationship, being of critical importance to both employees and employers. Employees typically depend on wages, salaries, and so forth to provide a large share of their income and on benefits to provide income and health security. For employers, compensation decisions influence their cost of doing business and thus, their ability to sell at a competitive price in the product market. In addition, compensation decisions influence the employer's ability to compete for employees in the labor market (attract and retain), as well as their attitudes and behaviors while with the employer. Employee compensation practices differ across employment units (e.g., organizations, business units, and facilities) on several dimensions (Gerhart & Milkovich, 1990³, 1992⁴; Gerhart, Milkovich, & Murray, 1992)⁵. The focus of the employee compensation literature has been on defining these dimensions, understanding why organizations differ on them (determinants), and assessing whether such differences have consequences for employee attitudes and behaviors, and for organizational effectiveness.

OBJECTIVE OF THE STUDY

1. To study the employee compensation in MSN Laboratories

METHODOLOGY AND SAMPLING

To pursue the above mentioned objective, the present study is based on both primary and secondary data

i. Primary data

Survey questionnaire is used as an instrument to collect primary data. The researcher has administered survey questionnaire to the employees in MSN Laboratories, Hyderabad. The employees questionnaire were finalized on the basis of the experiences of the pilot study, about 40 employees were selected for the pilot survey. In the light of the observations and experiences of the pilot survey necessary changes were incorporated in the questionnaire. The reliability of the schedule has been established through test-retest method. The interval between test-retest was six months.

ii. Secondary Data

The principle sources of information for the present study are various published books, journals, bulletins, internet etc. The libraries of Andhra University V. S. Krishna Library and Department of Commerce and Management studies are immensely used for the collection of secondary data.

iii. Sampling

In MSN Laboratories the total employees are 3281. The sample size obtained from the whole population is 380 employees for the present study. The researcher used stratified sampling, proportionate sampling and simple random sampling techniques respectively for the study.

This paper focuses on compensation which includes monthly total emoluments, wages in proportion to profits, opinion on salary, basis for wage fixation, wage components in wage package, duration of wage hike, opinion on wage hike, employee pay is better than the pay paid in similar organization, MSN authorities considering the elements in employee compensation, MSN authorities considering hike in pay after improving educational qualification

RESULTS AND DISCUSSION

Compensation

The term wage may be used in a general sense to include all monetary payments based on time worked. Then the popular usage of the term wage is that “wages are payments to hourly-rated production workers”. According to I.L.O⁶. Wages may be defined as “the remuneration paid by the employer for the services of a worker who is engaged by hour, day, week or fortnight”. The employers pay the wages to employee per week, per month or per piece as per the contract they come into⁷.

The wage issues include a large number of factors, both economic and non-economic. To the worker, wages are important not only because they constitute a major portion of his income and thus determine to a large extent, his standard of living, but also because they determine his status and position in the society. However, the worker is not interested in his money wages alone, he is interested in his real wage i.e., the amount of goods and services that the money wages will procure for him.

1. Respondents monthly total emoluments

Table No.1: Respondents monthly total emoluments per month

<i>Emoluments</i>	<i>Frequency</i>	<i>Per cent</i>
Rs 0 – 10000	37	9.7
Rs 10001 – 20000	105	27.6
Rs 20001 – 30000	121	31.8
Rs 30001 – 40000	77	20.3
Rs 40001 – 50000	17	4.5
Rs Above 50000	23	6.1
Total	380	100.0

Respondents' opinion on monthly total emoluments is given in table no.1, the class interval for the salary is divided into six categories. (i) Rs 0-10,000 (ii) Rs 10,001-20,000 (iii) Rs 20,001- 30,000 (iv) Rs 30,001- 40,000 (v) Rs 40,001-50,000 and (vi) Above Rs 50,000. About 31.8 per cent of the total sample respondents are recorded in the category Rs 20,001-30,000 followed by 27.6 per cent in Rs 10,001-20,000 and 20.3 per cent in Rs 30,001- 40,000. A negligible per cent of 9.7 respondents are placed in Rs 0-10,000, 6.1 per cent of the respondents earning above Rs 50,000 and 4.5 percent of them are placed in the class interval of Rs 40,001-50,000.

At the outset it may be concluded that nearly 60 per cent of the respondents are receiving salaries in-between Rs 10,001-30,000. MSN Company is a private sector unit where they are not affordable to pay more salaries on par with public sector. On the other hand it may be suggested to the management to increase the salaries to some extent to enable the employees to live a comfortable life.

2. Wages in proportion to profits

Table No.2: Respondents getting wages in proportion to profits

<i>Opinion</i>	<i>Frequency</i>	<i>Per cent</i>
Yes	117	30.8
No	263	69.2
Total	380	100.0

Respondents' opinion on whether they are getting wages in proportion to profits is revealed in table no.2. Nearly 70.0 per cent of the respondents gave negative opinion and the remaining 30.8 per cent of the respondents told that they are getting wages in proportion to profits.

It may be concluded that the majority of the respondents are not getting wages in proportion to profits. It is suggested to the authorities to increase the wages in proportion to profits to some extent in order to retain employees in the organization.

3. Respondents' opinion on salary

Table No.3: Respondents' opinion on salary

<i>Opinion</i>	<i>Frequency</i>	<i>Per cent</i>
Satisfied	131	34.5
Satisfied to some extent	233	61.3
Not satisfied	16	4.2
Total	380	100.0

Respondents' opinion on their salary is denoted in table no.3. A highest majority of 61.3 per cent of the total sample respondents is satisfied with their salary to some extent, where as 34.5 per cent of them are satisfied. A negligible per cent of 4.2 of them are not satisfied for the salaries received from the organization.

MSN organization is a private sector organization where they are not affordable to give more salaries to their employees because of their financial constraints. On the other hand majority of the respondents are satisfied to some extent with the salaries provided by the employer.

4. Basis for wage fixation

Table No.4: Basis for wage fixation

<i>Basis for wage fixation</i>	<i>Frequency</i>	<i>Per cent</i>
According to minimum wage Act	24	6.3
Personal agreement between employer and employee	235	61.9
Based on wages in surrounding areas	48	12.6
Capacity of the employer	51	13.4
Any other	22	5.8
Total	380	100.0

Table no.4 presents the basis for wage fixation to the respondents of MSN Laboratories selected for the study. A highest per cent of 61.9 per cent of the respondents wage fixation is done according to the personal agreement between employer and employee. About 13.4 per cent of them opined for capacity of the employer. About 12.6 per cent of the sample respondents wage is fixed based on wages in surrounding areas. According to Minimum Wage Act only 6.3 per cent of the respondents wage is fixed. About 5.8 per cent of the respondents wage is fixed on basis of other factors.

It may be concluded that personal agreement between employer and employee is playing a dominant role in employees wage fixation. Different wage policies and Acts were introduced for fixation of wages in the formal and informal sectors. But due to the excess labour force, lack of supervision of the authorities, wage discrimination and less wage payments are commonly observed in private sector. It is suggested to the authorities to fix the wages according to the Minimum Wage Act fixed by the government. Government fixes the minimum wage after considering all the factors which enable the worker to lead happy and comfortable life. Thus, the employees should organize themselves and put the matter before the authorities to increase their salaries.

5. Wage components in wage package

Table No.5: Different wage components in the employee wage package

<i>Wage components</i>	<i>Frequency</i>	<i>Per cent</i>
Basic wage	376	98.9
DA	354	93.2
HRA	311	81.8

Respondents wage components in wage package is denoted in table no.5 the different wage components are (i) basic wage (ii) Dearness Allowance (iii) House Rent Allowance. It is very interesting to note that 376 respondents equalling to 98.9 per cent are receiving basic wage, 354 respondents equalling to 93.2 per cent are receiving some per cent of DA and 311 respondents equalling to 81.8 per cent are receiving some per cent of HRA.

It may be concluded from the above table that the MSN authorities are observing all wage components in their wage package.

6. Duration of wage hike

Table No.6: Respondents' opinion on duration of wage hike

<i>Wage hike</i>	<i>Frequency</i>	<i>Per cent</i>
Annually	380	100

Duration of wage hike is depicted in table no.6 all the total 380 sample respondents revealed that their wage hike is done annually. This wage hike will be done according to their positions in the organization. The company will take the data of other pharma companies regarding the percentage of wage hike in their companies for counter key positions and other positions. They may apply the same percentage or different percentages by considering the company's financial position and other factors while fixing the salary to their employees. In order to retain the employees the management have to adopt the counter pharma companies salaries to their employees, otherwise they may leave the company.

7. Opinion on wage hike

Table No.7: Respondents' opinion on wage hike

<i>Opinion</i>	<i>Frequency</i>	<i>Per cent</i>
Encouraging	262	68.9
Not encouraging	22	5.8
No opinion	96	25.3
Total	380	100.0

Respondents' opinion on wage hike is indicated in table no.7. A highest majority of 68.9 per cent of the total sample respondents have expressed that the wage hike is encouraging. At the same time it is surprising to note that about 25.3 per cent of the respondents are not having any opinion on wage hike. A negligible 5.8 per cent of them expressed that the wage hike is not encouraging.

It is a healthy sign that a majority of 68.9 per cent of the respondents opined that the wage hike is encouraging but about 96 respondents out of 380 total respondents are not having any opinion on wage hike. The reason might be that these respondents are unable to decide whether the wage is encouraging or discouraging. It is suggested to the authorities to concentrate on these employees and motivate them to work efficiently.

8. Employee pay is better than the pay paid in similar organization

Table No.8: Respondents' opinion on their pay is better than the pay paid in similar organization

<i>Opinion</i>	<i>Frequency</i>	<i>Per cent</i>
Much better	119	31.3
Better	223	58.7
Not better	38	10.0
Total	380	100.0

Respondents' opinion on their pay is better than the pay paid in similar organization is illustrated in table no.8. It is clear from the table that 223 respondents equalling to 58.7 per cent of them revealed that their pay is better than the pay payment in the similar organization. About 31.3 per cent of the respondents opined that their pay is much better than the pay paid in similar organization. Only 38 respondents equalling to 10 per cent revealed that the pay is not better than the pay paid in similar organization.

It may be concluded from the above table that a whopping majority of 90 per cent of the total sample respondents opined that their pay is much better and better than the pay paid in similar organization. It is a healthy sign to the organization that majority of the respondents are happy with the pay revision and this may motivate the employees to work hard and increase the productivity of the organization.

9. MSN authorities considering the following elements in Employee compensation

Table No.9: Respondents' opinion on MSN authorities considering the following elements in Employee compensation

<i>Particulars</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>	<i>Weighted Rank</i>
Pay in accordance with the work load	2 (14)	109 (654)	74 (370)	40 (160)	33 (99)	36 (72)	86 (86)	1455 (4)
Pay in accordance with the qualification	165 (1155)	68 (408)	36 (180)	33 (132)	19 (57)	37 (74)	22 (22)	2028 (2)
Pay in accordance with experience	187 (1309)	53 (318)	36 (180)	22 (88)	28 (84)	29 (58)	25 (25)	2062 (1)
Pay in accordance with expertise	3 (21)	23 (138)	55 (275)	52 (208)	38 (114)	89 (178)	120 (120)	1054 (6)
Pay in accordance with responsibilities	17 (119)	120 (720)	68 (340)	71 (284)	56 (168)	37 (74)	11 (11)	1716 (3)
Pay in accordance with position in the organization	6 (42)	2 (12)	109 (545)	83 (332)	121 (363)	24 (48)	35 (35)	1377 (5)
Pay in accordance with hazardous and riskiness of jobs.	(0)	5 (30)	8 (40)	79 (316)	82 (246)	125 (250)	81 (81)	963 (7)

Respondents' opinion on MSN authorities considering the following elements in employee compensation is described in table no.9. The researcher asked the respondents to rank their opinion on these factors. Respondents gave first rank with 2062 points for pay in accordance with their experience. The second rank is given to pay in accordance with the qualification with 2028 points. Third rank with 1716 points is given to pay in accordance with responsibilities. Pay in accordance with the work load is given fourth rank with 1455 points. Fifth rank with 1377 points is given to pay in accordance with position in the organization. Pay in accordance with the expertise is given sixth rank with 1054 points. Last but not least seventh rank with 963 points is given to pay in accordance with hazardous and riskiness of jobs.

It could be concluded that pay in accordance with experience, qualification and responsibilities are playing dominant role for MSN authorities in considering these elements while fixing employee compensation. Experience and high qualification of the employees help the organization to increase their productivity of the company and that is the reason why MSN authorities gave much importance to experience and qualification of the employee in fixing the compensation of the employees.

10. MSN authorities considering hike in pay after improving educational qualification

Table No.10: MSN authorities considering hike in pay after improving your educational Qualification

<i>Opinion</i>	<i>Frequency</i>	<i>Per cent</i>
Yes	121	31.8
No	259	68.2
Total	380	100.0

Respondents' opinion on MSN authorities considering hike in pay after improving their educational qualification is denoted in table no.10. A highest number of 259 respondents equalling to 68.2 per cent revealed that the MSN authorities are not considering hike in pay after improving the educational qualification. The remaining 121 respondents equalling to 31.8 per cent of them revealed that the authorities are considering improved educational qualifications for hike in present pay.

According to the table no.5.9 the authorities are considering educational qualification in the initial wage fixation but they are not considering any hike in pay after improving their qualification. This attitude of the management may demotivate the employees and thereby reduce their concentration on the job. It is suggested to the MSN authorities to consider the improved educational qualification of employees for hike in pay. This attitude of the management may motivate the employees to pay much attention on the job.

11. If not the MSN authorities considering improved educational qualification for future Promotion**Table No.11: If not the MSN authorities considering improved educational qualification for future Promotion**

<i>Opinion</i>	<i>Frequency</i>	<i>Per cent</i>
Yes	228	88.0
No	31	12.0
Total	259	100.0

The 259 respondents who are not considered for hike in pay after improving the educational qualification are asked whether the management is considering the improvement of their qualification for their future promotion. A highest majority of 228 respondents equalling to 88 per cent revealed that the authorities are considering the improvement of qualification for future promotion. The remaining 31 respondents equalling to 12 per cent told that the management is not considering the improved educational qualification for future promotion. (Table no.11)

The above table concludes that only 12 per cent of the respondents revealed that the management is not considering the improvement of educational qualification for future promotion. At the outset it is suggested to the authorities to consider these 31 respondents for future promotion to encourage them to work efficiently.

REFERENCES

- [1] Dessler C (2002). Human Resource Management. Canadian: 8th edition.
- [2] Inancevich JM (1998). Human Resource Management. 7th ed By the McGraw, Hill company, Inc.
- [3] Gerhart, B., & Milkovich, G.T. (1990). Organizational differences in managerial compensation and financial performance. Academy of-Management Journal, 33, 663-691.
- [4] Gerhart, B., & Milkovich, G.T. (1992). Employee compensation: Research and practice. In M.D. Dunnette, & L.M. Hough (Eds.), Handbook of industrial and organizational Psychology, 2nd Edition, pp. 481-569. Palo Alto, CA: Consulting Psychologists Press, Inc.
- [5] Gerhart, B., Milkovich, G.T., & Murray, B. (1992). Pay, performance, and participation. In D. Lewin, O. Mitchell, & P. Sherer (Eds.), Research Frontiers in Industrial Relations, pp. 193-238. Madison, WI: Industrial Relations Research Association.
- [6] International labour organization, 'Wage a General Report', Report-VI of international Labour Conference, 31st session, Geneva, 1948, p.7.
- [7] Sexena, R.C., 'labour Problems and Social Welfare, Op. ct. p.142