

## COMPENSATION MANAGEMENT: RECENT TREND

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Compensation or remuneration in general terms means direct wages, salaries, or allowances given to the work force of the business organisation. compensation management or wage and salary administration refer to establishment and implementation of sound policies and practices of employee compensation considering the worth of concerned employee and concerned job. It includes such areas as job evaluation, surveys of wage and salaries, analysis of relevant organisational problems, development and maintenance of wage structure, establishing rules for administering wages, wage payments, incentives, profit sharing, wage changes and adjustments, supplementary payments, control of compensation costs and other related items.

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Contingent factors in compensation plan:

Internal factors	External factors
1. Organisational strategy and attitude	1. Nature of Hr market.
2. Organisational culture.	2. Cost of living
3. Nature and worth of job.	3. Employee union.
4. Capacity to pay.	4. Legal framework
5. Nature of human resource.	5. Socio-economic factors

Both above mentioned factors influence the compensation system in an organisation. Infact because of such reasons the compensation system is very strategic in nature. Global competition in hr market influence the retention of employees with in the organisation. From the employer's perspective, compensation is an issue of both affordability and **employee motivation**.

Companies must consider what they can reasonably afford to pay their employees and the ramifications of their decisions: will they affect employee turnover and productivity? In addition, some employers and managers believe pay can influence employee work ethic and behavior and hence link compensation to performance. Moreover social, economic, legal, and political forces also exert influence on compensation management, making it a complicated yet important part of managing a business.

More specifically, six primary but interrelated factors can shape a company's pay structure:

1. **Social Customs:** Beginning in the thirteenth century, employees began demanding a "just" wage. This idea evolved into the current notion of a federally mandated minimum wage. Hence, economic forces do not determine wages alone.
2. **Economic Conditions:** Demand for labor influences employee wages. Employers pay wages based on the relative contributions employees make to production goals. In addition, supply and demand for knowledge and skills helps determine wages.
3. **Company Factors:** Pay structures depend on the kind of technology a company has and on whether a company uses pay as an incentive to motivate employees to improve job performance and to accept more responsibilities.

4. Job Requirements: Some jobs may require greater skills, knowledge, or experience than others and hence fetch a higher pay rate.
5. Employee Knowledge and Skills: Likewise, employees bring different levels of skills and knowledge to companies and hence they are qualified to work at different levels of a company hierarchy and receive different rates of pay as a result.
6. Employee Acceptance: Employees expect fair pay rates and determine if they receive fair wages by comparing their wages with their coworkers' and supervisors' rates of pay. If employees consider their pay rates unfair, they may seek employment elsewhere, put forth little effort in their jobs, or file lawsuits.

After considering the factors now I want to mention that in recent trend the compensation in an organisation is considered as a cause of grievance because of inequity in payscale and hidden aspects due to which the employee considered himself cheated and not able to trust on management regarding their wages and salaries. but recently in most of the organisations pay transparency is applied which is giving positive results. lets discuss pay transparency-

## **PAY TRANSPERANCY**

As in this era of competition the employees are very care ful regarding their pay structure they don't want that any body can cheat them so they want a transparent pay system. Infact some organisations are using transparent pay system. this is helpful for them to retain their employees with in the organisation. pay transparency is an important trend in compensation management that warrants both focussed discussion and targeted actions in most companies. In traditional time the payment system was not revealed to employees and not to other companies but decisions about compensation now occur in the world of information changed forever by internet. people today have access to unparalleled amountsof information , including information about compensation which historically has been kept secret. numerous websites provide salary survey data freely and the explosion of web 2.0 social networks and social media spreads compensaton data and conversations without any limits.

Pay transparency influence employees

- Fosters trust in management
- Increases employees engagement
- Encourages discretionary efforts
- Reduces turnover
- Create competitive advantage

People want to work where they understand their value and feel they can trust their employers. In such an environment, they are willing to work harder, offering more of their discretionary effort towards the organisational goals. Employee trust, then, is not an end in itself but a foundation for competitive business advantage.

### **COMPENSATION MANAGEMENT: IN INDIAN SCENARIO**

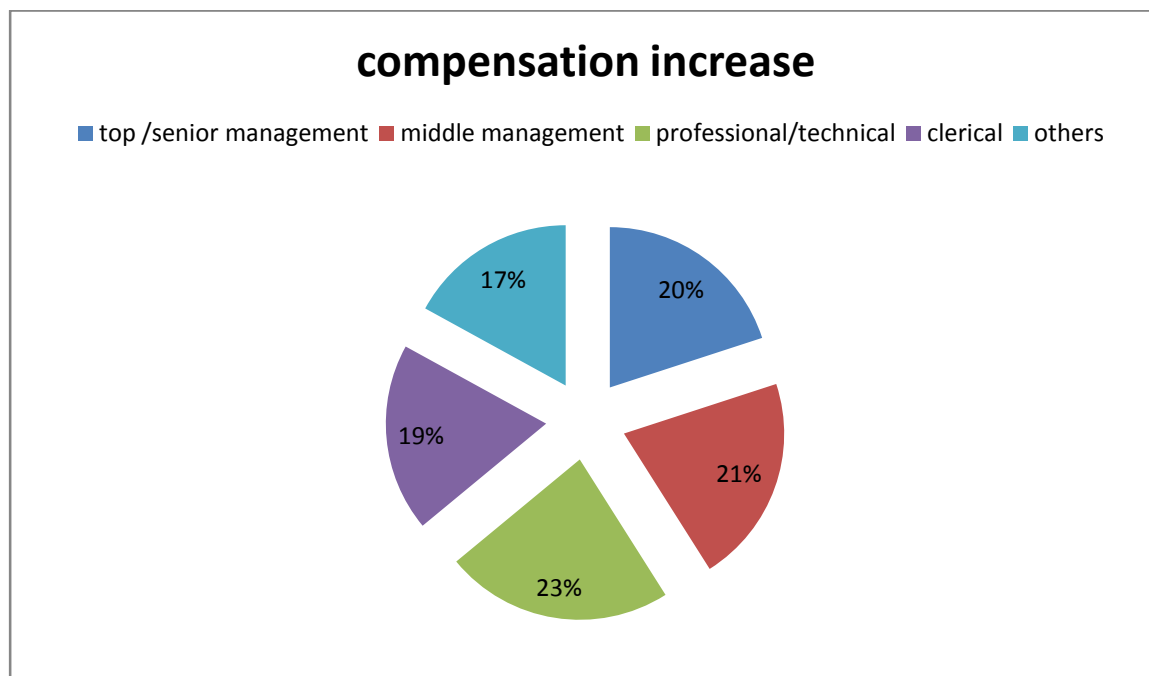
With the technological developments taking place at a higher rate, the salary packages are too increasing at a much higher rate. Pay packages in India have witnessed an increase of more than 14% in 2006 over last year's salary packages. The compensation package comprises of monetary and non-monetary benefits that includes salary, special allowances, house rent allowance, travel allowance, mobile allowance, employee stock options, club memberships, accommodations, retirement benefits and other benefits.

Globalization is being considered as the cause for such salary hikes. The establishment of multi national companies and privatization has led the Indian industry to witness higher salary package. With the immense competition of attracting and retaining talented human resource, compensation package is the only motivation factor available with the organizations be it Indian origin organizations or foreign-owned multinationals.

With the high attrition rate organizations are increasing their salary packages to attract and retain talented human resource. In the race, India has begged first position followed by Lithuania and China.

## INDIAN INDUSTRY ANALYSIS

Indian industries are aiming for high growth and are looking for talented human resource. For the purpose they are offering most competitive compensation packages. Besides the monetary and non-monetary benefits some organizations also offer development benefits such as online degree programmes or certification courses. Insurance sector has succeeded in increasing the compensation packages at highest rate followed by Banking and IT sectors. In Indian industry rate of salary hike also depends on the job position in the organizational hierarchy. During year 2006 technical and professional skill oriented jobs were offered more salary hikes than the senior management.



## SUMMARY

In this article the basic concept of compensation and recent trends which are applied in compensation management like pay transparency has been mentioned. How pay transparency is helpful in developing the trust and it is fostering the productivity?

After all the Indian industry analysis and change or increment of compensation level is discussed with the help of some data.

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