



Study on Compensation Management System & its Impacts on Employees and Organisation Magnitudes in Pharmaceutical Industry at Ankleshwar Belt

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ABSTRACT

"If you pick the right people and give them an opportunity to spread their wings and put compensation as a carrier behind it you almost don't have to manage them." - Jack Welch (Source: http://www.goodreads.com/author/quotes/3770.Jack_Welch) The aim of this research study is to build an understanding regarding the studying the

Compensation Management System in pharmaceutical industry operating at Ankleshwar region. So understanding of it will help in terms of identifying the importance of Compensation from the perspective from HR. Now-a-days in the area of Globalization major MNC Organization are entered in to the pharmaceutical industry and giving competition to local players in terms of capturing market share as well as giving competition in terms of getting best HR from their competitors from the labour market. So here researchers have tried to find out the role of Compensation Management in terms of attracting the talent from the market, try to identifies the components that are offered in the industry & lastly to find out the relationship between compensation management & productivity of an employees.

KEYWORDS: Components, factors hindering compensation system, Determination of Compensation System

1. INTRODUCTION

The turbulent management-labor crisis over continuous agitation for increased pay in the manufacturing industry all over the world is challenging each organization to utilize their employees more effectively to improve organizational performance. In Pharmaceutical Industry, pay has become the driving force for seeking employment in the industry. It therefore becomes imperative that organizations establish and adopt a compensation system that can motivate employees to work. Compensation processes are based on Compensation Philosophies and strategies and contain arrangement in the shape of Policies and strategies, guiding principles, structures and procedures which are devised and managed to provide and maintain appropriate types and levels of pay, benefits and other forms of compensation (Bob, 2011).

1.1 Evolution of Compensation Management System

Today's compensation systems have come from a long way. With the changing in organizational structures & workers needs so compensation systems have also been changing. From the bureaucratic organizations to the participative organizations, employees have started asking for their rights and appropriate compensations.

To meet the diversified needs of employees, Organisations offer monetary and non-monetary benefits like mobile allowances, company's vehicle, House Rent Allowances, statutory leaves, Medical Benefits, etc.

2. REVIEW OF LITERATURE

Remuneration does not simply compensate employees for their efforts- it also has an impact on the recruitment and retention of talented people according to Milkovich and Newman (2001). Armstrong (2005) in his own analysis says compensation management is all about developing a positive employment relationship and psychological contract that adopts a total compensation approach which recognizes that there are a number of ways in which people can be compensated.

Harrison and Liska (2008) in their study posit that reward is the center piece of the employment contract-after all it is the main reason why people work. This includes all types of rewards, both intrinsic and extrinsic, that are received as a result of employment by the organization.

3. RESEARCH METHODOLOGY

3.1 Needs & Rationality of the study

The turbulent management-labor crisis & competition in labor markets over continuous anxiety for increased pay in the manufacturing industry all over the world is challenging for organizations to utilize their employees more effectively to improve organizational performance. To

get a success in the business, organization requires talented employees which can become their competitive advantage & to attract talented employees from high competitive market company should have a sound organization system.

It therefore becomes imperative that organizations establish and adopt a compensation system that can motivate employees to work while at the same time not eating too deep into the organization's resources. The problem of this study therefore is to examine the role of effective compensation management & its impacts on Employees & Organization magnitudes in pharmaceutical industry at Ankleshwar belt"

3.2 Objectives of the study

- To study and analyze Compensation Management System in Pharmaceutical Industry operating at Ankleshwar Belt.
- To study the gap in terms of compensation components offers by the organizations & expected by the employees.
- To analyze the factors that hinders the Compensation Management System.
- To know the effects of compensation management system on productivity level of employees.
- To know the satisfaction level of employees with respect to their current compensation structure.
- To know whether all statutory & Non-Statutory benefits are provided according to government compliances.

3.3 Research Design

We have undertaken Descriptive Research Design to Study the compensation management system in pharmaceutical industry at Ankleshwar Belt.

3.4 Samples & Sampling Technique

It was quite difficult to conduct census study in terms of covering all employees at Blue Star, so I have relied upon Sample Study by selecting samples through Convenience Sampling Method from Management Level acting as a representative of census population. Sample Size Selected is 50 Management Employees from Pharma Companies likes Lupin Ltd, Wockhardt Ltd, Sunpharma Ltd., & Rajat pharma Pvt Ltd. operating at Ankleshwar Belt.

3.5 Tools adopted for the study

Survey method is used for Data collection work which is commonly practiced to collect primary data from the respondents. We have relied upon Questionnaire as a tool for collecting primary data to carry out Research Work. Structured Questionnaire was used to elicit the neces-

sary information from the respondents which is a combination of both Close ended and open ended questions.

3.6 Hypothesis Testing

3.6.1 2 Test on Employee Productivity depends on Employee Satisfaction level or not

Ho: There is no significance relationship between Employee Productivity & employee satisfaction towards compensation.

H1: There is significance relationship between Employee Productivity & Employee Satisfaction towards compensation.

Calculation:

Satisfaction Productivity	Satisfied	Dissatisfied	TOTAL
Yes	36	4	40
No	7	3	10
TOTAL	43	7	50

Observed Frequencies:

$E_{ij} = R_i * C_j * N$

For,

$E_{11} = (40/50) * (43) = 34.4$

$E_{12} = (40/50) * (7) = 5.6$

$E_{21} = (10/50) * (43) = 8.6$

$E_{22} = (10/50) * (7) = 1.4$

Expected Frequencies Table:

Satisfaction Productivity	Satisfied	Dissatisfied	TOTAL
Yes	34.4	5.6	40
No	8.6	1.4	10
TOTAL	43	7	50

Calculation Table:

O	E	(O-E)2	(O-E)2 / E
36	34.4	2.56	0.07
7	8.6	2.56	0.30
4	5.6	2.56	0.46
3	1.4	2.56	1.83
TOTAL			2.96

$\chi^2 = \sum (O-E)^2 / N$
= 2.96

Degree of Freedom:

= [C-1] [R-1]

= [2-1] [2-1]

= [1] [1]

= 1

Table Value:

Looking into χ^2 table at 10% & degree of freedom 1, the value is 2.706. The calculated value of χ^2 2.96 is greater than the table value. Thus, the Null (H0) hypothesis is rejected. Hence, Employee Productivity level & Employee satisfaction level towards compensation have significance relationship.

4. Major Findings of the study

- * Major components of compensation structure are Basic Salary, Performance Bonus, HRA, Medical Reimbursement, Retirement benefits & Employees are agreed that compensation structure is as per their expectation in pharmaceutical industry at Ankleshwar Belt.
- * It is found that Competitors Benchmarking (35%) is the main factor, inflation (33%) is the next important factor, lastly salary survey & wholesale price index are the factors on the basis of which organization decide the pay for their employees.

- * Major factors which hinders compensation management system are Market Rate in industry (40%), organization ability to pay (35%) are most critical components & lastly Availability of skilled labor in the market (15%) & Demand & Supply of employees (10%) also hinder compensation system in Pharmaceutical industry.
- * Organization increase compensation on Annual Basis & it is based on the performance of employees during the preceding year.
- * 76% of the respondents agreed that compensation system has direct effect on the productivity level of employees.
- * It can be found that majority of respondents (80%) are satisfied while very few them (20%) opined that they are dissatisfied with their compensation management system.
- * From the Study, it can be opined that majority of respondents (90%) agreed that compensation system help an organization to attract the talent employee from labor market.

5. Recommendations for the study

It has been observed through the study that the Compensation Management System at Pharmaceutical Industry is good But certain suggestions to make it more better as under:-

- Organization should ensure that the key in designing any compensation system is to develop and understanding of the firm's vision and direction. A well-designed compensation plan becomes one of many tools a firm can use to help reach its strategic goals.
- Organizations should try to design its pay as per Competencies. It should continuously analyses its key position to determine what competencies i.e. skills, knowledge, attributes that differentiate average from outstanding performance. Particularly that competencies which are most critical to achieve the organization future focused objectives.
- It has been known through the study that major pharma players provides career information, tools and resources to facilitate career and professional development, but employees are equally responsible for managing their own careers. This can include conveying their career goals, looking for ways to enrich and enlarge their jobs, building future focused professional skills.
- Model & Simulate the budget impact on salary and compensation action.
- Analyze all aspects of compensation with detailed reports, analytics and interactive dashboards to make more important decisions.
- Ensuring that Compensation management system reduces complexities and improve visibility by Centralized Compensation practice data.

6. Conclusion

It is an important task of Reward Specialist & HR Professional to maintain a competitive reward package that will help an organization to attract & retain the talent pool with them.

From Study, we conclude that Compensation Management System is good. All the organization operating in pharmaceutical industry are offering more or similar components as their compensation structure. They are having Competitive Compensation structure that will help them to attract the talent pool from the labor market. In last, Researchers have identify that employee satisfaction towards compensation has a positive relationship with the Employees productivity level & also identified that Good Compensation Practices will help them in terms of attracting the employee as well as in terms of retaining the employees with the current organization.

Direction for future Research

- * On the basis of the findings of this study will help a researcher or to Pharma players in terms of introducing different Rewards Schemes that include Bonus Scheme, Contingent pay scheme to improve employees performance.
- * Secondly it help all pharmaceutical organization to designed the tailor-made compensation structure for different types of workers like Directors & Executives, Sales & Customer Service Employees & lastly for Knowledge Workers.

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