

Compensation Practices On Employee Motivation As Impact On Arya Systems

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ABSTRACT : *In this changing scenario compensating the employees according to the performance and which motivates them is the priority and right of employees. There is a strong link between compensation practices and employee motivation. The paper is an effort to determine the relationship between compensation practices and employee motivation in Arya Systems. The variables which have impact on employee motivation are wages & salary, working hours and promotion system. The objective of this research paper is to analyze compensation practices practices required to retain employees and maintain them. The main aim of this Research paper is to study compensation practices and related aspects and to know the impact of compensation practices on employee motivation in Arya systems. The research paper makes use of structured questionnaire administered to the selected respondents for data collection has been done. The results revealed that there is positive relationship between compensation practices and employee motivation. The rank analysis showed that the factor which contributes more to the employee motivation is job security of employees whereas promotion system results in more satisfaction.*

KEYWORDS: *Compensation Practices, Employee motivation.*

I. INTRODUCTION

Human Resource Practices is an integral function of an organization which needs focus on many factor including compensation, retention, performance appraisal and quality of work life, but by far compensation has strong relation with employee motivation.

Concept of Compensation Practices :“Compensation refers to all forms of financial returns and tangible services and benefits employees receive as part of employment relationships¹ Compensation comprises of all the benefits provided to employees in return of the services given by employees. Compensation not only satisfies employees but also motivates employees. Compensation is all about the financial and non- financial benefits which are the rights of employees for their contribution to the organization. Compensation directly or indirectly affects the performance of the employees. The different components of compensation makes employees feel that they are secured and working under a better organization that is fulfilling their needs. When the employees feel secured and satisfied they perform better.

Concept of Motivation : Rensis Likert, in his book *Motivation: The Core of Practices*¹, explained motivation as “The core of practices which shows that every human being earnestly seeks a secure, friendly and supportive relationship which gives him a sense of worth in face-to-face groups which are not most important to him. A supervisor should strive to treat individuals with dignity and a recognition of their personal worth.”² As the theory of Abraham Maslow explained Motivation is the drive of a person to carry out a task which he desires to do so. Employee Motivation factors prevailing in Organization sector are:

Fair wage and salary: Salary is compensating the employees for their services and performance given to the organization. Salary is an amount which employees get every month act as a motivation factor to satisfy their needs.

Work environment: Organizational culture contributes more towards motivating the employee to perform better. Relation with peers, superiors and practices plays an important role.

Recognition: Every time employee performs better need to be praised and recognized so that he/she gets motivated to perform better and better. Organization have targets for employees if reached in a stipulated time period the employee gets bonus.

Performance linked practices and style: The practices should also have flexible policies related to compensation. Private Organizations provide cab facility and mobile allowance are also motivation factors.

Non-cash benefits: organization provides Non cash benefits like promotion; job security, working hours, and workplace flexibility are also some of the factors which motivate employees.

Relationship between Compensation Practices and Employee Motivation : Compensation practices have two main factors i.e. monetary and nonmonetary incentives. Employees are not satisfied with either monetary or neither non-monetary but the efficient use of both monetary and nonmonetary incentives. These motivation factors can be working hours, salary and wages, benefits, perks performance appraisal and benefits. Compensation practices is a dependent variable which motivates employees and has a positive impact which contributes towards the achievement of organizational goals.

II. LITERATURE REVIEW

Douglas McGregor's (1960) Theory X and Theory Y represent his ideas on motivation to the direction and control of employees in the workplace. According to McGregor's Theory X, which articulates the traditional approach to motivation, people are not keen on work, and try to avoid it where possible. As a result, employees must be coerced and controlled by punitive measures to perform effectively. The average person is believed to lack ambition, avoid responsibility, and strive for security and financial compensation only. They are egocentric, and not at all mindful of organisational goals. Theory Y, in contrast, reflects a more modern approach to motivation. People seek responsibility, and are capable of creative problem solving. McGregor regarded Theory Y as a more accurate and realistic portrayal of human behaviour, since it represents the integration of individual and organisational goals. McGregor did, however, recognise that the theory does not offer a complete explanation for employee motivation.

Gouws (1995) noted that McGregor's theory closely resembles that of Maslow, in that the factors McGregor believed act as motivators to people at work, are arranged and satisfied in a similar hierarchy. McGregor also placed physiological needs first, followed by physical and social needs. Egotistical needs are sub-categorised as self-regard needs on the one hand, which involve self-respect, self-confidence, autonomy, achievement, competence and knowledge. On the other hand needs such as the status, recognition, respect and appreciation a person enjoys. The highest level of need is that of self- fulfillment, which people attempt to satisfy through continued self-development and creativity. Job satisfaction must be taken apart so that its elements can be examined. The general idea is that each element can be measured and that the concept of job satisfaction is simply the sum of its parts. Some of the facets that might be examined are compensation, working conditions, security, variety, independence, advancement, responsibility, and achievement.

Motivation is an important function which very manager performs for actuating the people work for accomplishment of objectives of the organization. Issuance of well conceived instructions and orders does not mean that they will be followed. A manager has to make appropriate use of motivation to enthuse the employees to follow them. Effective motivation succeeds not only in having an order accepted but also in gaining a determination to see that it is executed effectively.

In order to motivate workers to work for the organizational goals, the managers must determine the motives or needs of the workers and provide an environment in which appropriate incentives are available for their satisfaction. If the practices is successful in doing so, it will also successful in increasing the willingness of the workers to work. This will increase efficiency and effectiveness of the organization. There will be better utilization of resources and workers abilities and capacities.

III. RELEVANCE OF THE STUDY

This paper is an attempt to analyze the different types of compensation policies used in Organization sector with special reference to Arya systems and their impact on the employee's motivation. The study has tried to identify the impact of bonus, basic salary, incentives, perquisites, short term and long term incentives on the motivation and performance level of employees. It also helps to determine from these factors which factor motivates them more. It also shows on what basis employees are compensated i.e. how the performance and job evaluation methods are being implemented.

IV. OBJECTIVES

- To study compensation management practices prevailing in Arya systems.
- To understand different factors of employee motivation in organization.
- To identify the linkage between compensation practices and employee motivation.
- To analyze the impact of compensation practices on employee motivation.

V. RESEARCH METHODOLOGY

The present study is exploratory as well as descriptive in nature. Both primary and secondary sources of data collection have been used for collecting the data. Structured questionnaire has been administered for the purpose of collecting primary data. The questionnaire was distributed amongst 50 respondents. The simple random sampling method is used. The questionnaire was designed using 5 pointlikert's scale. Coding and tabulation was done and data collected so was analyzed by using SPSS software. The introduction of the paper should explain the nature of the problem, previous work, purpose, and the contribution of the paper. The contents of each section may be provided to understand easily about the paper

VI. DATA ANALYSIS AND INTERPRETATION

Table 1. Demographic profile of respondents

| Parameters | Category | Frequency | Percentage |
|------------------------|------------------------|-----------|--------------|
| Age | 18-27 | 13 | 26.0 |
| | 28-37 | 18 | 36.0 |
| | 38-47 | 11 | 22.0 |
| | above 48 | 8 | 16.0 |
| | Total | 50 | 100.0 |
| Gender | Male | 45 | 90.0 |
| | Female | 5 | 10.0 |
| | Total | 50 | 100.0 |
| Marital Status | Married | 41 | 82.0 |
| | Unmarried | 9 | 18.0 |
| | Total | 50 | 100.0 |
| Income | Less than 10000 | 8 | 16.0 |
| | 11000-33000 | 36 | 72.0 |
| | 31000-50000 | 2 | 4.0 |
| | 51000-70000 | 4 | 8.0 |
| | Total | 50 | 100.0 |
| Work Experience | Less than one year | 4 | 8.0 |
| | 1-5 years | 22 | 44.0 |
| | 5-10 years | 12 | 24.0 |
| | Above 10 years | 12 | 24.0 |
| | Total | 50 | 100.0 |

Inference: It is evident from the above demographic details of respondent that research has been conducted on different parameters of respondents. As in the current study the total sample size is n=50.

Inference: From the above table it can be inferred that

Promotion is the major factor in Arya systems and it is ranked first by respondents. The next major factor is

Performance reviews which and it is ranked second by the respondents. The factor which is ranked third by the respondents is

Wages and salary. The next factor which is ranked fourth by the respondents is

Compensation system. Need for **Compensation policies & working hours** is ranked as fifth and sixth by the respondents. The factor which is ranked seventh & eighth by the respondents is link between

Compensation & productivity and performance of employees.

Inference: From the above table it can be said that **Job security** is the major factor in Arya systems and it is ranked first by respondents. The next major factor is **Workplace flexibility** which and it is ranked second by the respondents. The factor which is ranked third by the respondents is **Performance appraisal.** The next factor which is ranked fourth by the respondents is **Recognition for performance.** The **Employee satisfaction & Feedback of performance** is ranked as fifth and sixth by the respondents. The factor which is ranked seventh by the respondents is **Total benefits package.**

VII. LIMITATIONS OF THE STUDY

The research has been conducted on organization due to which sample size taken is very small. Employees were not cooperative. Motivation level may differ from person to person.

Suggestions : The employees should be given proper allowance facility, salary and job security according to the market trend. The objective of the organization should be linked with the objective of the individual so that both the objectives are accomplished and employees feel motivated to work. The needs of the employees should be determined and accordingly be accomplished by the organization through different motivational techniques. The organization should make use of different non-monetary incentives also so the employees feel connected with the Organization.

VIII. CONCLUSION

The research paper helps to arrive at a conclusion through the discussion and analysis of data the motivation is an important aspect of employee's job satisfaction. But to motivate the employees one of the important aspects is compensation practices i.e. proper compensation policies. The results also showed that if the compensation policies are managed effectively it will directly affect the motivation level of employees. It can be concluded from the above results that variables which contribute to compensation practices are promotion system, performance reviews and wages and salary. The factors which influence motivation level of employees in Arya systems job security, workplace flexibility and performance appraisal

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