

## SECTION – 5

### QUESTION-1.

ANSWER:-

#### **Employee Compensation:-**

Compensation or Remuneration is a systematic approach to provide monetary value to employees in exchange for work performed by them is called as compensation or remuneration. Compensation may achieve several purposes assisting in recruitment, job performance and job satisfaction.

In the case of Human Resource Management, compensation is referred to as money and other benefits that are received by an employee for providing services to his employer.

Money and benefits received may be in different forms — based compensation in money or monetary form and various benefits, these 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.

#### **Objectives:-**

1. To attract well-qualified and competent personnel.
2. To motivate them for higher levels of performance by making arrangement of incentive payments.
3. To retain the present workforce by keeping their pay levels at the competitive levels.
4. To raise the morale of workforce.
5. To establish internal as well as external equity. Internal equity refers to payment of similar wages for similar work. External equity means payment of similar wages to similar jobs in comparable firms.
6. To maintain the labour and administrative costs in line with the ability of the organization to pay.
7. To comply with wage legislation.
8. To project a good image of company.

#### **Factors that Influence the Compensation Level:-**

The significant factors affecting the employee compensation can be grouped together into two broad categories, external and internal factors.

##### **1. External Factors:**

- (i) Demand and supply of labour in the labour market.

(ii) Labour union influence.

(iii) Government policies like Minimum Wages Act, 1948, the Equal Remuneration Act 1976, etc.

(iv) The prevailing rate of pay or comparable wage rates also influence the employee compensation.

(v) The present cost of living.

(vi) The state of the economy (boom, recession, depression, etc.).

(vii) Advancement of technology also influences the fixation of wage levels.

## **2. Internal Factors:**

These factors include the following:

(i) Ability of the organization to pay.

(ii) The performance, experience and seniority of the employee.

(iii) Requirements of the job such as physical and mental abilities.

(iv) Job evaluation helps to establish satisfactory wage differentials.

(v) Organization's strategy regarding employee compensation.