

PERFORMANCE AND COMPENSATION MANAGEMENT WITH SPECIAL REFERENCE TO INFORMATION TECHNOLOGY INDUSTRY

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ABSTRACT--Compensation management is one of the most important aspects of personnel management. It covers economic rewards in form of wages and salaries as well as in various forms of non-wage economic payment known as fringe benefits, indirect compensation or supplementary pay. Therefore, this research work has been carried out to look at the impact of organizational compensation management system on the performance of employees in the public sector. The result will focus focuses on the analysis of data collected from the field using the questionnaire. It includes the frequency distribution table and the chi-square analysis as well as the inferences made from the analysis. The need for this study arises from the variation in performance of employees in the organization that has been noticed and this research work hoped to improve the standard and in order to achieve this, project has gone into so many past works of authors and related literatures in order to profound solutions.

Keywords—performance, compensation management, special, reference informatio, technology, industry

I. INTRODUCTION

The methodology focuses on the techniques employed in the research for the collection of data for the study. It contains explanations on the choice and description of instruments used for data collection. These are discussed under the following. headings: research design, population, sample and sampling procedure, data collection instrument, administration of data collection instrument, method of data analysis. In spite of the multiple benefits and advantages of compensation management and its impact on employee's performance, it cannot still be said that having compensation management policy is a panacea for success in appraising, and managing employee's performance. It is therefore the duty of all managers to ensure that the use of compensating policy meets employee's expectation in order to have good and effective performance.

II. OBJECTIVES OF THE STUDY

Specifically, the purposes of the study are as follows;

1. To find out the different compensation packages that exists in the public sector most specially in IT industry.
2. To find out the effect or impact or these compensation packages on employees performance.
3. To identify the particular compensation packages that motivates employees to the highest degree of performance.

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4. The study seeks to find out the perceptions of employees concerning the compensation packages.
5. To offer suggestions on how the public sector can provide an effective compensation packages.

III. SIGNIFANCE OF STUDY

The information from this research will add to the study of the knowledge and theories on the subject matter of compensation.

This study was brought about by the persistent quest for higher employees' performance by several organizations especially in IT industry Tamilnadu. The basic question to date is how well the use of compensation packages relates positively to employees performance. Finally, the outcome of this study will pose a challenge for future researchers or students who may be interested in carrying out more research in this area and it will also serve as reference materials for all the research candidates.

IV. BACKGROUND OF THE PROBLEM

The relationship between organizational compensation system and employees performance is indispensable, though some surrounding factors may determine the satisfaction one derives from the other. The high inflation rate which has led to high cost of living, low income and, purchasing power can be a reason for poor performance. In order to achieve the needed output level, the Nigerian managers faces an uphill task in trying to fashion out a reward system which does not have to necessarily be totally monetary inclined to motivate and bring out the best in employees to whom morale would have been affected by the bad state of socio-political and economic sphere of the country. The question now is, can there be a reward system that could adequately have an effect on workers performance? How often is this system reviewed? Would a fixed organizational compensation system bring out the required performance? Does the system reward the right set of employees? Would the outlined reward solve the immediate problems of workers in order to boost performance? Can the reward system stand out the test of time? Most times, only good behavior is rewarded while performance based reward is ignored. Also, some organizations confuse activity with action and reward those who seem busy, yet the quiet employees may have been doing the bulk of the work. From this, there is need for management to build its reward system along the line of actual performance and actual level of work, input and productivity. Therefore, the problem of trying to figure out these loopholes with intent of correcting them forms the basis for this research.

V. LITERATURE REVIEW

Literature review contains the review of related literature as carried out by different authors and experts. Their opinion will guide the course of this study and reveal the trend of research.

Human resources are the most vital resources for any organization. It is responsible for each and every decision taken, each and every work done and each and every result. Compensation is the remuneration received by an employee in return for his/her contribution to the organization. It is an organized practice that involves balancing the work-employee relation by providing monetary and non-monetary rewards to employees. Compensation

management is an integral part of human resources management which helps in motivating the employees and improving organizational effectiveness (Naukrihub 2009,37)

According to Bowman (2006), Compensation management can be defined as all the employers' available tools that may be used to attract, retain, motivates and satisfy employees. This encompasses every single investment that an organization makes in its people and everything its employees value in the employment relationship.

Simplistically, the notion of compensation management just says that there is more' to rewarding people than throwing money at them, or as Mulis and Watson in Armstrong (2008) puts it, "the monetary value in the compensation package still matter but they are not the only factor". They also stress that compensation policies are based"building a much deeper understanding of the employee agenda across all elements of reward". The compensation management process was summed up by work force (2008) as follows:

Creating a fun, challenging empowering work environment in which individual are able to use their abilities to do meaningful jobs for which they are shown appreciation is likely to be a more certain way to enhance motivation and performance even though creating such an environment may be more difficult and take more time than merely turning the reward lever.

In the word of Brown as quoted by Armstrong (2008), compensation and reward process are flows of events that determine the level, forms and differentials of financial rewards, fringe, benefits and non-financial rewards received by each member of the organization. Typically found in this complex process are method of assessing competitive wage in external' labour market, for job evaluation, for the establishment of wages, rates and salary ranges for different job categories and for decision making processes to establish salaries and wages according to differential performance. In recent years, the inclusion of non-financial measures has gained some popularity in compensation management while some scholars demonstrate positive effects of incorporating non- financial measures into the compensation management system empirically (world at work, 2008). Thus Dalton McFarland asserted that "among the various devices for eliciting the loyalty, corporation and effort of individuals are the various forms of economics reward both financial and non-financial"

VI. COMPENSATION STRATEGY

Compensation strategy defines what the organization intends to do in the longer term to develop and implement reward policies and process that will further the achievement of its business goals. It establishes priorities for developing reward plan that can be aligned to' business and human resources strategies.

According to Brown in Armstrong (2008), compensation strategy is ultimately a way of thinking that you can apply to any reward Issue arising in your organization, to see how you can create value from it. To him, it is necessary to recognize that effective compensation strategies have three components:

1. They need clearly define goals and a well-defined link' to business objectives.
2. There need to be well designed pay and reward programs tailored to the needs of the organization and its people and consistent and integrated with one another.
3. Perhaps most important and most neglected, there need to be effective and supporting human resources and reward process in place.

VII. DEVELOPING COMPENSATION STRATEGY

In practice, the formulation of strategy is seldom of rational and linear process as the model implies. Mintzberg (2006), perceive strategy as a pattern in a stream of activities. It is not necessarily a rational and continuous process. Quinn (2006), believes that organization typically construct their strategy with process that is fragmented, evolutionary and largely intuitive. He produced the concept of logical incrementalism which states that strategy evolves in several steps rather than being conceived as a whole.

Brown In workforce (2008), asserted that changing, evolving, testing improving as we go as part of a continuous long term process; this is the key to successful reward and recognition management.

VIII. COMPONENTS AND OBJECTIVES OF ORGANIZATIONAL COMPENSATION MANAGEMENT SYSTEMS

According to Armstrong (2008), an organizational compensation management system includes anything an employee's value and desire that an employer is able and willing to offer in exchange for employee's contribution. More specifically such compensation includes financial and non-financial rewards. Financial rewards include direct payment (e.g. salary) plus indirect payments in the form of employee's benefits. Non- financial reward includes everything in a work environment that enhances a worker sense of self-respect and esteem by others (e.g. work environments that are physically, socially and mentally healthy; opportunities for training and personal development; effective super Vision and recognition). In the word of Milkovich (2008), reward bridges the gap between organizational objectives and individual expectations and aspirations. To him, for an organization to be effective, organizational compensation system should provide four things:

- I. A sufficient level of rewards to fulfill basic needs
- II. Equity with the external labour market
- III. Equity within the organization and
- IV. Treatment of each member of the organization In terms of his or her needs.

More broadly Bowman in work scope (2009), asserted that compensation system are design to attract, retain and motivates employees. Much of the design of compensation management systems involve working out trade off among More or less seriously conflicting objectives. Perhaps the most important objective of any compensation system is fairness and equity.

IX. TYPES OF COMPENSATION

According to Naukrihub (2009), compensation provided to an employees can be direct in the form for monetary benefits and or indirect in the form of non-monetary benefits known as perks, time off e. t. c. compensation does not include only salary but it is the sum total of all rewards and allowances provided to the employees in return for their' services. If the compensation is effectively managed, it contributes to high organizational productivity.

Direct compensation refers to monetary benefits offered and provided to employees in return of the services they provides to the organization. The monetary benefits include basic salary, house rent allowance, conveyance,

leave travel allowance, medical reimbursements, special allowances, bonus, gratuity etc. They are given at a regular interest at a definite time.

X. EMPLOYEES BENEFITS

Folayan (2006), Describe benefits as the component of a compensation package provided in addition to cash pay. He goes on to look at the impacts that benefits can have in employees attraction, retention and motivation and to identify the three main type of employees benefits, namely; welfare benefits which includes pension and health insurance; family friendly benefits which might include family leave and child care vouchers and job related benefits which might include company car or product discounts. Armstrong (2008), states that the main aims of any benefit systems are:

To contribute to the provision of a competitive compensation management system, to provide for the need of the employees in terms, of their security and sometimes their requirement for special financial help, this demonstrating to them that they are members of a carrying organization, to increase the, commitment of employees to the organization and to provide a tax efficient method of remuneration.

XI. COMPENSATION DETERMINATION PROCESS

Compensation determination process involves several steps which have to be well articulated and carefully coordinated. In general, the establishment of a pay level for a particular employee is dependent on two main factors;

1. The general value of the job itself to the organization and
2. The relative performance of the individual performing the job

XII. JOB ANALYSIS

Cascio (2006), defined job analysis as the systematic investigation of a job In order to identify its essentials characteristic and to translate these characteristics into writing in form of a job description and specification. To him, job analysis is the pertinent information about a specific job. Job analysis is concerned with generating information about jobs and two of the products of job analysis are job description and job specification.

The main appropriates in studying a job are

- (1) Logs which is known as self-report and
- (2) Direct observation and interview and
- (3) Questionnaire

XIII. JOB EVALUATION

Job evaluation is the process of determine the relative of work or money value of the various jobs (within the organization) as the .basis for the balanced and equitable work structure (Hating and wood, 2003). Its attempt to determine and compare the demands that normal performance of specific jobs makes on employees without considering individual activities of performance of employees involved.

The immediate objective of job evaluation IS to ensure internal consistency as regards relatives' wages within the organization and external consistency between the organization wage structure and the wage structure of competing or comparable organizations in the area of the industry or the nation. Thus,

Rao and Rao in workforce management (2008), asserted that the main objective of job evaluation are To gather data and information relating to job description, job specification and employee specifications of various jobs in an organization, to compare the duties, responsibilities and demands of a job with that of other job, to determine the hierarchy and place of various jobs in an organization and to ensure fair and equitable wages on the basis of relative worth or value of jobs. ,

XIV. DETERMINING THE ACTUAL COMPENSATION

The determination of the actual compensation accruable to an employee is a very crucial aspect of compensation management system; and this come after job evaluation. Following job evaluation, the prevailing internal pay level are plotted against evaluated job levels to determine the mean internal pay, job line and show any anomalies (overpaid, and underpaid job).Next, the result of external wage survey is compared with the existing internal pay level to see how they compare and after all this and taking note of relevant organizational problems, as appropriate internal family structure and compensation is determined (Folayan, 2007).

XV. RECOMMENDATIONS

In line with this study, the following recommendations were made. Organisations must make sure that there is friendly and positive relationship between employers and employees in the organisation. Management creates good and friendly working conditions that will aid employees performance. Organisations should ensure the provision of good welfare packages that will encourage and promote employees performance. It is the desire of every organisations to constantly increase productivity, thereby necessitating the need to motivate employees through comprehensive compensation policies and friendly working conditions. The need to retain effective and qualified work force is a necessity for a functional organization, thereby necessitating the need to provide good working conditions and effective working packages that will aid in retaining effective work force.

XVI. CONCLUSION

Management practices concerning reward systems relate to both the kind of rewards offered to employees for their services and the manner in which such rewards are administered in performance contingent manner Management practices related to reward are critical in determining the level of employees' performance. Because organization structures indirectly affect the commitment and morale of employees through authority patterns and leadership styles, they have implications for employee performance in an organization.

Performance management practice analysis suggests that multi-nationals have a well-developed and formalized performance management, system. Some of them have adopted management by objectives (MBO) approach to performance management. These organizations have the practice of preparing detailed job descriptions because they assume that without properly defining the jobs, setting performance goal would be difficult. Compensation

management should be based on performance measured relative to the performance- of all firm or firms in the same industry rather than absolute measure of firm performance.

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