

Competitive
imperatives
influencing
compensation
business essay



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Compensation is what employees receive in exchange for their contribution to the organisation. Generally, employees offer their services for three types of rewards. Pay refers to the base wages and salaries employees normally receive. Compensation forms such as bonuses, commissions and profit sharing plans are incentives designed to encourage employees to produce results beyond normal expectation. Benefits such as insurance, medical, recreational, retirement, etc., represent a more indirect type of compensation. So, the term compensation is a comprehensive one including pay, incentives, and benefits offered by employers for hiring the services of employees. In addition to these, managers have to observe legal formalities that offer physical as well as financial security to employees. All these issues play an important role in any HR department's efforts to obtain, maintain and retain an effective work force.

So, the employers are, therefore are required to know that what are competitive imperatives which can justify the compensation structure and the satisfaction of employees.

Competitive imperatives influencing the compensation are:

Productivity

Speed of work

Quality of work

Service

Learning

1. PRODUCTIVITY

The amount of output per unit of input (labor, equipment, and capital). There are many different ways of measuring productivity. For example, in a factory productivity might be measured based on the number of hours it takes to produce a good, while in the service sector productivity might be measured based on the revenue generated by an employee divided by his/her salary. Productivity is the efficiency with which output is produced by a given set of inputs. Productivity is generally measured by the ratio of output to input. An increase in the ratio indicates an increase in productivity. Conversely, a decrease in the output/input ratio indicates a decline in productivity.

Compensation Factors Productivity

Basic Worth Knowledge Efficiency Experience Effectiveness

Fringe Benefits Creativity Improve the Innovation method/technology

Incentive Willingness Extra Performance

Carrier Growth Hidden Potential challenging task

performance growth

Productivity refers to an individual's intention, urge or choice to earn more by doing extra efforts or applying innovative/creative ways of doing the job. At the same time, the improvement of productivity depends on the management's ability to motivate and manage the human resources effectively and purposefully. Productivity is a tool to reduce the operational cost but performance parameters are the backbone of effectiveness or efficiency of human beings, which plays a pivotal role in managing the other resources " to improve productivity. Higher technology; improved methodology, effective planning, effective logistics management and control can achieve productivity. But the performance effectiveness or the efficiency of human beings depends on their willingness to work, satisfaction of their worth and so on the fair compensation.

Compensation is generally decided on the productivity of an average worker/ employee and one can earn more by improving productivity either by doing extra efforts to making an extra quantity or by improving the skill level. Cognitive theories attribute the causes of behaviour to an individual's processing of information and improving the skills and behaviour results from decisions or choices to improve productivity.

In the context of compensation, productivity has been widely accepted as a basis for minimum or extra earning of employees, and therefore productivity agreement have been considered a fair basis to compensate the workers satisfactorily. The productivity agreements entail jointly determined improvement in the method of working and management of work to enable the employees to receive a share of benefits accruing from increased productivity, in the form of increased wage or salary.

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For a fair perception of productivity linked compensation, the productivity agreement should share problem solving on the subject of human resource contributions to technology change and conflicts arising out of the inequity of efforts or the payments in return of the efforts.

“ Productivity bargain has been found to be the most ephemeral technique for determining incentive payments linked to productivity, as problem productivity’ bargain in terms of extra earnings would not have been sufficiently contained by productivity improvement to avoid a contribution to drift and cost inflation.

To study the imperative of productivity in compensation, any organisation should know the factors influencing the motive to work and the expectation of employees to judge their worth. This helps-to evaluate their worth on the basis of the employees’ output and the competency level. ‘

However for fair perception of productivity linked compensation, the productivity agreement should share the problem solving in the context of human resource contribution to technology changes, and conflicts arising out of the inequity of efforts or payment disparity.

2. SPEED OF WORK

Compensation Factors Speed

Basic Worth Equity Criteria Normal

2. Fringe Benefits Capability Increase Speed

3. Incentive Change their behavior Improve Speed

for doing the work

Speed is related to the time factor of the efforts put on by the employee to measure his/her effectiveness or the efforts put on to reduce or eliminate the unwanted breaks/interruptions or delays. This is more critical and important in chain production process where every next operation is dependent on the completion of the preceding one in time. Similarly, the group performance is dependent on the time efficiency of each member of the group.

The most widespread economic development could be achieved by cutting down or minimizing the overtime payments and consolidation of cost benefit due to speed of work. This speed of work thus becomes a factor of determining the compensation and benefit both to the employees and the employers.

Speed of work no doubt increases the productivity and presses a higher demand of compensation, but speed should not refer to quantity alone but also to the quality of work and safety of men, machines and materials, as well as ensure the compilation of safety rules.

3. QUALITY OF WORK

Compensation Factors Quality

1. Basic Worth Quality Normal Speed Understanding with Quality

2. Fringe Benefits Quality Qualitative consciousness product

quality

3. Incentive Change their behavior Improve Speed

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for quality

Quality is the totality of features and characteristics of a product or service that bear on its ability to satisfy stated or implied needs. Quality is also one of the elements of productivity and the result of competency of the individual. Productivity measured in quantity may be satisfactory in some of the production units where the human contribution may be negligible to maintain quality. But in most of the production or service units, quality must be weighed against quantity to justify the quality production level. So is the case of performance, which could be measured in terms of quantity as well as quality and the qualitative worth. Both become imperative to justify the compensation.

Quality feedback from a performer is information, which can be acted upon as it contains examples of individual behaviour, contention, conscious efforts and commitments. This could not only be used to analyze the job performers but can also be useful in guiding, training and motivating the employees in managing the change by eliminating negative behaviour.

The job worth also cannot be measured by providing numbers alone but a job may be complete only if it is done with the desired quality. However, quality consciousness too can have adverse effect on quantitative production. Therefore compensation should be viewed in the context of the concept of equity as it is sometimes difficult to assess whether the subjects were concerned about reducing quality or whether it was low simply because of their concern for higher quality. Especially it becomes difficult to evaluate the job worth when the subjects are paid at piece rate with the intention to

produce quality. In such situations sometimes over paid employees produce less than equitably paid employees.

Expectancy theory, however, emphasizes that employees will try to maximize their output rather than try to balance the input to output. The job design process therefore will have to consider the aspects of motivating behavioural expectations and methods to ensure the desired quality and time to produce the job.

4. SERVICE

Compensation Factors Services

1. Basic Worth Eligible personality Average service

quality

2. Fringe Benefits Attitude & Behavior Quality Services

on the job

3. Incentive Attitude & Behavior Continuous

improved attitude

Belonging & Loyalty

Services refer to attitude, habits and behaviour of the employees, which are to the ways of offering intellectual, manual or combined efforts to do any job.

It is the quality of services and mannerism which decide the compensation worth besides the quantity, and the quality of the product or service. Quality of service includes time keeping, attitude and behaviour at work place, quick

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understanding of the problem, the ability to quickly arrive at a conclusion to a solution and promptness to attend the complaints. The compensation differentials, therefore could be generally seen in the same type of service offered by different individuals.

6. LEARNING

Learning as used here refers to concerted activity that increases the capacity and willingness of individuals, groups, organizations and communities to acquire and productively apply new knowledge and skills, to grow and mature and to adapt successfully to changes and challenges. Such learning empowers individuals and organizations to make wise choices, solve problems and break new ground. Education is involved with transmitting concepts and ideas. It is a marvelous ability of an individual to learn and grow and there is no limit to this capacity. In the learning process, the mind takes in information through a number of receptors, edits it and compares it with previously received information. The actions and reactions that occur are stored in the memory for future use. Thus, an older learner has a rich bank of experience complemented by a reinforced attitude. The initial learning makes a significant contribution to one's attitude and continuous learning reinforces it or improves it. He/she develops confidence to prepare responses to new situations and to other people based on the learning experiences.

Learning which behaviour pattern leads to rewards and which one to punishment can certainly help an individual to adjust to the working environment and feel comfortable without grumbling for compensation. On

the other hand, more and learning enhances conceptual and behavioural knowledge which can help him/her to earn more.

Unconscious competence is what causes mental errors, serious mistakes and resulting accidents. Lack of knowledge is a cause of negative perceptions and proper learning habits can only overcome this deficiency.

The performance of individual can go on increasing if he/she has an aptitude for learning. Learning habit is an important characteristic of an individual, which positively benefits personal development and helps an organization with improved efficiency. Compensation increments provide the opportunity to take more challenging roles but they require extra skill, knowledge and expertise which could be achieved through learning.

The ability to think, the capacity to learn and the details kept in mind are the components of intelligence. Memorizing and retention the details are a skill that can be learnt. It is this learning which develops one's verbal ability, inductive reasoning and problem-solving. These are considered in comparing the worth for compensation.

QUESTIONS:-

Q1. What do you understand by competitive imperatives? Explain.

Q2. List the competitive imperatives which influence the compensation management.

Q3. Explain how productivity and speed of work influence the compensation?

Q4. Describe the role of quality and service in compensation management.

Q5. How the behaviour of an individual affects the determination of compensation?