A STUDY OF COMPENSATION MANAGEMENT IN PUBLIC AND PRIVATE SECTOR COMPANIES IN INDIA

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ABSTRACT
Compensation to employees for their services is important responsibility of human resource management. Every organization must offer good wages and fringe benefits to attract and retain talented employees with the organization. If at any time, the wages offered by a firm are not competitive as compared to other firms, the efficient workers may leave the firm. Therefore, workers must be remunerated adequately for their services. Compensation to workers will vary depending upon the native of job, skills required, risk involved, native of working conditions, paying capacity of the employer, bargaining power of the trade union, wages and benefits offered by the other units in the region or industry etc. considering that the current trend in many sectors. Compensation is the remuneration received by an employee in return of his/her contribution to the organization. It is an organized practice that involves balancing the work-employee relation by providing monetary and non-monetary benefits to employee’s compensation is an integral part of human resource management which helps in motivating the employees and improving organizational effectiveness.

Keywords: Compensation, Organizational Productive, Monetary Benefits, Productivity

INTRODUCTION
Compensation refers to a vide range of financial and non financial rewards to employees for their services condensed to the organization. Employees in both the private and public sectors are provided with a variability of compensation packages–salaries or hourly charges and profits, which can include the provision of employer supported health care, employer contributions to a retirement plan, paid leave and other incremental forms of compensation. The how and why of employees compensation between the public and private sectors has long been an issue of debate, and has progressed to the forefront as state and local resources continue to be stressed. This analysis will provide an overview of wages and profits of public and private sector employees in order to provide some content to the debate about public sector compensation. The system of compensation should be so planned that is succeeds the following:-

1. The proficient employees are involved towards the association.

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2. The employees are encouraged for superior performance.
3. The employees do not leave the employer frequently.

STATEMENT OF THE PROBLEM

A study of Compensation Management in Public sectors and Private Companies in India.

NEED AND IMPORTANCE OF THE STUDY

Compensation systems are designed keeping in minds the strategic goals and business objectives. Compensation systems are designed on the basis of certain factors after analyzing the job work and responsibilities. Compensation provided to employees can be direct in the form of monetary benefits and/or indirect in the form of non-monetary benefits as perks, time off etc. 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 offered is effectively managed, it contributes to high organizational productivity. With the business expansion and globalization of Indian organizations were more and more skill labour, be it for upgrading their technologies or marketing their products. organization are offering most competitive packages to attract and retain talented human resources.

OBJECTIVES OF THE STUDY

1. To compare the compensation and fringe benefits in public sectors and private sectors in India.
2. To investigate the salary structure in public sectors and private companies in Indian, and the salary that workers in various ranks of position are receiving.
3. To study how compensation affects productivity and motivation of the employee in public and private sectors.
4. To compare the level of motivation in public sectors and private sectors.
5. To find out the factors affecting the motivation of the employees in private sectors and private sectors.

HYPOTHESES OF STUDY

1. Effectiveness of compensation system in public sectors and private sectors in India.
2. The various methods of wage determination in public sector and private sectors.
3. Motivation and pay level satisfaction of the employees in public sectors and private sectors.
4. Importance of job evaluation in designing an effective compensation system.
5. Significance of Performance Appraisals in designing an effective compensation system.
6. Incentive plans, benefits, profit sharing plans, fringe benefits motivating the employees.

RESEARCH METHODOLOGY

It will be a descriptive and analytical study, which will analyse and compare the difference between compensation management system in public sectors and private sectors. India is selected as the study area as there are many public sectors and private sectors in different states. The study takes a list of manufacturing companies of public sectors and private sectors in various states in India. Primary data will be collected as well as personal interview of the employees of public and private sectors will be taken. Application of scientific tools and techniques are imperative for accuracy of finding in any study which is designed to be carried out in an empirical way. The collected data will be organized through various statistical tools and methods.
ANALYSIS AND INTERPRETATION OF DATA

To analyze the data this study used descriptive (mean, standard deviation) and different inferential statistics such as t-test, F-test. All statistical calculations were carried out by SPSS, the most widely used set of programs for statistical analysis.

The states of compensations practices of the public and the private sector industrial enterprises was assessed by five items (CRONBACH’S α= .97). The descriptive statistics of the five items are shown in table-1.

Table one shows the sample size (N), mean (M), standard deviation (SD) and standard error mean of all the five items used to assess the status of compensation practices in the public and the private sector industrial enterprises. From the means of items, differences were observed between the public and the private sector industrial enterprises.

Table 1 Descriptive statistics of the items assessing the status of compensation practices

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Item</th>
<th>Type of the Organization</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Std. Error Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Salary and benefits are competitive</td>
<td>Public</td>
<td>26</td>
<td>1.23</td>
<td>.587</td>
<td>.115</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Private</td>
<td>34</td>
<td>4.71</td>
<td>.676</td>
<td>.115</td>
</tr>
<tr>
<td>2.</td>
<td>Salary and benefits are offered on the basis of competencies or abilities of the employees</td>
<td>Public</td>
<td>26</td>
<td>1.19</td>
<td>.567</td>
<td>.111</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Private</td>
<td>34</td>
<td>4.85</td>
<td>.359</td>
<td>.062</td>
</tr>
<tr>
<td>3.</td>
<td>Compensation is linked to performance</td>
<td>Public</td>
<td>26</td>
<td>1.35</td>
<td>.846</td>
<td>.166</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Private</td>
<td>34</td>
<td>4.88</td>
<td>.327</td>
<td>.056</td>
</tr>
<tr>
<td>4.</td>
<td>Pay survey is conducted regularly</td>
<td>Public</td>
<td>26</td>
<td>1.35</td>
<td>.562</td>
<td>.110</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Private</td>
<td>34</td>
<td>4.41</td>
<td>.892</td>
<td>.153</td>
</tr>
<tr>
<td>5.</td>
<td>Non-financial benefits are emphasized</td>
<td>Public</td>
<td>26</td>
<td>2.54</td>
<td>1.208</td>
<td>.237</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Private</td>
<td>34</td>
<td>4.53</td>
<td>.896</td>
<td>.154</td>
</tr>
</tbody>
</table>

To make sure whether these differences were statistically significant, independent-samples t-test was carried out for every item. The results are presented in Table 2.

Item-wise interpretation of Table-2:

Item 1: Salary and benefits are competitive.

Equal variances were assumed for this item. Accordingly from the t-test, the difference between the public and the private sector industrial with respect to offering competitive salaries and benefits to the employees was found to be significant (t=20.878, p<.01). Hence, it can be inferred that the private sector enterprises (M=4.71) are in significantly better position than the public sector enterprises (M=1.23) with respect to offering competitive salaries and benefits to the employees.
Item 2: Salary and benefits are offered according to employees’ competencies /abilities
Equal variances were assumed for Item 2 Consequently from the t-test, the difference between the public and the private sector industrial enterprises with respect to offering salaries and benefits based on competencies/abilities of the employees was found to be significant \( (t=-30.508, \ p<.01) \). Thus, it can be inferred that the private sector enterprises \( (M=4.85) \) are in a significantly better position than the public sector enterprises \( (M=1.19) \) with respect to offering salaries and benefits according to employees’ competencies/abilities.

Item 3: Compensation is linked to performance
Equal variances were not, assumed for this item as \( F=11.084, \ p<.01 \). Accordingly from the t test, it was found that there was significant difference between the public and the private sector industrial enterprises with respect to offering compensation linked to performance \( (t=-20.195, \ p<.01) \). Hence, it can be inferred that the private sector enterprises \( '(M=4.88)' \) are in significantly better position than the public sector \( (M=1.35) \) enterprises with respect to offering compensation linked to performance.

Item 4: Pay survey is conducted regularly
Equal variances were not assumed for this item as \( F=12.950, \ p<.01 \). As a result from the t test, significant difference was found between the public and the private sector industrial enterprises with respect to conducting regular pay survey \( (t=-16.268, \ p=.000) \). It can, therefore, be inferred that the private sector enterprises \( (M=4.41) \) are in significantly better position than the public sector \( (M=1.35) \) enterprises with respect to conducting regular pay survey regularly to review the salaries and benefits of employees.

Item 5: Non-financial benefits are emphasized
Equal variances were not assumed for this item as \( F=4.873, \ p<.05 \). So from the t-test, significant difference was observed between the public and the private sector industrial enterprises with respect to emphasizing on non-financial benefits \( (t=-7.053, \ p<.01) \). It can, thus, be inferred that the private sector enterprises \( (M=4.53) \) are in significantly better position than the public sector \( (M=2.54) \) enterprises with respect to emphasizing on non-financial benefits.
TESTING OF HYPOTHESIS:
Next, the Effectiveness of the public and the private sector industrial enterprises of India with respect to overall status of compensation practices were investigated. The hypothesis mentioned below was developed for testing.

**H 1:** Effectiveness of compensation system in public sectors and private sectors in India

\[ H_0 : \mu_1 = \mu_2 \]

\[ H_1 : \mu_1 \neq \mu_2 \]

Table 3 - Descriptive statistics of the status of compensation practices

<table>
<thead>
<tr>
<th>Compensation Type of the Organization</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Std. Error Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public</td>
<td>26</td>
<td>2.0385</td>
<td>.52769</td>
<td>.10349</td>
</tr>
<tr>
<td>Private</td>
<td>31</td>
<td>4.8235</td>
<td>.38695</td>
<td>.06636</td>
</tr>
</tbody>
</table>

Table 4 - Independent-samples t-test for status of compensation practices

<table>
<thead>
<tr>
<th>Item</th>
<th>Levene’s Test for Equality of Variances</th>
<th>t-test for Equality of means</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>F</td>
<td>Sig.</td>
</tr>
<tr>
<td>Compensation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equal variances assumed</td>
<td>.003</td>
<td>.954</td>
</tr>
<tr>
<td>Equal variances not assumed</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

To test the above hypothesis, independent-samples t-test was run with SPSS. Before t-test, for equality of variances was carried out to be certain about the homogeneity of variances of the comparing groups. From the test for equality of variances, it was found that variances were equal. Accordingly, independent-samples t-test showed that the Effectiveness of the public and the private sector industrial enterprises with respect to overall status of compensation practices was statistically significant (t=23.598, p<.01). As a result, the null hypothesis was rejected and it can be concluded that overall status of compensation practices of the private sector industrial enterprises (M=4.8235) is significantly better than that of the public sector industrial enterprises (M=2.0385) of India.

CONCLUSION

India is selected as the study area as there are many public sectors and private sectors in different states. The study takes a list of manufacturing companies of public sectors and private sectors in various states in India. Primary data will be collected with the help of structured schedule as well as personal interview of the employees of public sectors and private sectors. In the preceding sections, we have argued that market constraints, operating through profits and unemployment, are absent in the public sector. Since the tradition of job security is strong in the public sector, there is little effective deterrent to prevent public employees from using their collective bargaining privileges to demand very large wage increases. Unlike employees in the private sector, public sector employees need rarely fear that excessive wage gains will cause their unemployment by forcing their employer to curtail or
close operations, since the government has no profit constraint. It can use its power to tax, to borrow, or (in the case of the federal government) to print money to pay the increased costs of operation. Each of these fiscal operations may have some direct inflationary consequences for the economy. Further, large wage gains by public sector employees may have undesirable consequences in the private sector, in the form of unemployment and labour unrest. These can occur because private sector employees may resist accepting wages lower than the wages being paid comparable employees in the public sector. Hence, private sector unions may become more militant in their wage demands, in an attempt to catch up to the public sector. Because private sector employers do face profit constraints, they may be unable to grant wage increases as large as those obtained by public sector workers, and numerous work stoppages may result. To the extent that private sector employers do not match the wages obtained in the public sector, unemployment may increase, as members of the labour force "hold out" for one of the more lucrative jobs in the public sector.

The end result is that unfettered collective bargaining in the public sector can have undesirable consequences for Economic Stability. Economic stability could be better maintained if public sector wages were set according to prevailing wages in the private sector, where market constraints are available to rationalize the wage levels set. Indeed, in a number of recent statements, the federal government has reaffirmed its intention to rely on the principle of the prevailing wage in future negotiations with its employees. We would go further. We believe that it is fundamentally inconsistent to engage in collective bargaining over wages, while advocating strict adherence to the prevailing wage principle. Inevitably, in a bargaining situation, the employees' union will seek the highest wage settlement obtainable regardless of the comparability criterion. Consequently, employees in bargaining units with little bargaining power might acquiesce to the government's position and accept comparability with private sector employees; but employees in bargaining units with great bargaining power (i.e., those who can impose serious costs on the government or the public by withholding their services) may well insist on more.

REFERENCES