

FACULTY OF JURIDICAL SCIENCES

Lecture-33



COMPENSATION AND MAINTENANCE

MEANING OF COMPENSATION

Compensation is a systematic approach to providing monetary value to employees in exchange for work performed. Compensation may achieve several purposes assisting in recruitment, job performance, and job satisfaction.

Compensation packages with good pay and advantages can help attract and retain the best employees. A quick survey of employees about compensation is likely to expose an expectation that wages are fair and cover basic living expenses, keep up with inflation, leave some money for savings (perhaps for retirement) and leisure, increment over time.

A company's compensation scheme also informs a great deal about the firm's values and cultures. Employees often look at what a company pays rather than what it says. In many aspects, people behave as they are rewarded.

Objectives of Compensation Policy

The objectives of compensation policy are as follows –

- Allure suitable staff.
- Keep qualified personnel.
- Develop reward structures that are equitable with logical and fair pay relationships between differently valued jobs.
- Manage pay structures to mirror inflationary effects.
- Assure that rewards and salary costs handle changes in market rates or organizational change.
- Appraise performance, duty, and loyalty, and provide for progression.
- Abide with legal requirements.
- Maintain compensation levels and differentials under review and control salary or wage costs.

Clearly, managing a firm's compensation policy is a complex task as it facilitates systematically administered and equitable salaries, reconciles employees' career aspirations with respect to

earnings, aligns employees' personal objectives with those of the organization, and keeps the firm's costs under control.

To summarize, compensation management is a synchronized practice that includes balancing the work-employee relation by facilitating monetary and non-monetary benefits for employees.

Importance of Compensation Management

A good compensation is a must for every business organization, as it gives an employee a reason to stick to the company.

An organization gains from a structured compensation management in the following ways –

- It tries to give proper refund to the employees for their contributions to the organization.
- It discovers a positive control on the efficiency of employees and motivates them to perform better and achieve the specific standards.
- It creates a base for happiness and satisfaction of the workforce that limits the labor turnover and confers a stable organization.
- It enhances the job evaluation process, which in return helps in setting up more realistic and achievable standards.
- It is designed to abide with the various labor acts and thus does not result in conflicts between the employee union and the management. This creates a peaceful relationship between the employer and the employees.
- It excites an environment of morale, efficiency and cooperation among the workers and ensures satisfaction to the workers.

In short, we can say that compensation management is required as it encourages the employees to perform better and show their excellence as well as provides growth and development options to the deserving employees.