

A STUDY ON COMPENSATION OF EMPLOYEE BENEFITS

Submitted in partial fulfillment of the requirements for the award of

Bachelor of Commerce

by

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**DEPARTMENT OF BUSINESS ADMINISTRATION
SCHOOL OF MANAGEMENT STUDIES**

SATHYABAMA

INSTITUTE OF SCIENCE AND TECHNOLOGY

(DEEMED TO BE UNIVERSITY)

**Accredited with Grade “A” by NAAC | 12B Status by UGC |
Approved by AICTE**

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APRIL-2023





DEPARTMENT OF BUSINESS ADMINISTRATION

BONAFIDE CERTIFICATE

This is to certify that this Project Report is the bonafide work of **GAYATHRI N (40740086)** who carried out the Project Training at **"AGGRANDIZE VENTURE PRIVATE LIMITED"** under our supervision for a period of 3 months from January 2023 to March 2023.

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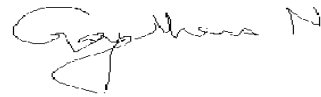
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DECLARATION

I GAYATHRI N (40740086) hereby declare that the Project work done by me under the guidance of Dr. GANANATH KHILLA, M.A., M.Phil., Ph.D.(Internal) and Ms. Sudha,(external) at (AGGRANDIZE VENTURE PRIVATE LIMITED CHENNAI) is submitted in partial fulfillment of the requirements for the award of Bachelor of Commerce.

DATE: 29.04.2023

PLACE: CHENNAI



SIGNATURE OF THE CANDIDATE

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ABSTRACT

Compensation and benefits are vital part of HRM in most of the organizations, education of compensation and benefits reflect many practices and concepts pertaining to HRM. Human Resources practices do not operate in parts. They need to be strategic, logical, and planned in the situation of the bigger organization, of which they are a part. Anyone in HRM is first a business partner of the organization and then an HR professional in their individual disciplines such as compensation and benefits.

A business partner is the one who is loyal to the company passionate about the business first and then to his or her respective discipline or area of work. This reflective research paper will also

identify the major elements of compensation and benefits in addition to teaching strategies of these functions. It is important to implement compensation and benefits in a mutually beneficial way, for the individual and the organization.

Prior to any discussion about compensation and benefits, it is important to understand the distinction between direct and indirect compensation. Direct compensation refers to any reward, usually in cash and stock, given in direct proportion to performance. Indirect compensation is not related to performance and is given in the form of various benefits.

Compensation and benefits strategy must cascade from the organizational mission and the HR strategy. This is true of all the HR functions. However, it is particularly critical in compensation and benefits because a very large portion of the cost of doing business is due to compensation and benefits. This criticality is even more pronounced when companies are struggling to stay afloat. Employee Benefits are offered from many companies to attract the employees and to retrain them. These benefits and compensations help the organizations to improve morale and to promote employee productivity and their performance. Benefits are offered in addition to general

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LIST OF ABBREVIATIONS

S.NO.	PARTICULARS	PAGE NO.
1.	WHO-World Health Organization	12
2.	UNESCAP- United Nations Economic and Social Commission for Asia and the Pacific	14
3.	GDP- Gross domestic product	15
4.	ROI- Returns on Investment	19
5.	KPO- Knowledge Process Outsourcing	19
6.	ISO-International Organization for Standardization	20
7.	GPS- Global positioning system	20
8.	SOA- Service-Oriented Architecture	20
9.	NVOCC- Non-Vessel Operating Common Carrier	20
10.	HR- Human Resources	25



CHAPTER 1

INTRODUCTION

1.1 COMPENSATION OF EMPLOYEE BENEFITS

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 benefits to employees.

Compensation is associate integral a part of human resources, management that helps in motivating the staff and up structure effectiveness. Compensation represents both the intrinsic and extrinsic reward employees receive for performing their jobs. Intrinsic competition reflects employees ' psychological mind -set those results from performing their job. Extrinsic competition includes both monetary and non-monetary rewards. Organizational development professionals promote intrinsic competition through effective job design. Competition professionals are responsible for extrinsic competition.

The establishing a compensation strategy for a company is crucial for every business, especially for startups. An employee compensation strategy is a method by which a company decides how and what that wish to offer an employee in exchange for obtaining professional and productive services. The strategy that the company plans needs to be reasonably competitive, structured, and affordable.

With the business world expanding, so are the number of employee and their employee compensation options. Employee compensation is when an employer can offer benefits or sufficient monetary value to the employees in return for their services to the company.

The overall of compensating employees goes far beyond wages. It includes forms of insurance, employee discounts or even paying for their vacation. The number of ways in which an employee can be compensated is growing and today, there are a million ways in which these are used by companies in the business world.

1.1.1 Components of Compensation System:

Job Analysis, Pay Structure, Salary Structure.

1.1.2 Types of Compensation Monetary Benefits:

- Basic Pay- Salary, Wage
- Incentive pays- Bonus, commission, Stock Option
- Deferred pay – Stock purchase, Annuity

1.1.3 Non-Monetary Benefits:

Medical Insurance, Life Insurance, Disability Income, Pension, Social Security, Vacations, Holiday, Sick Leave, Low cost or free meals

1.1.4 Fringe Benefits:

Retirement, Housing, Insurance coverage, Life and Disability Insurance
Compensation may be a systematic approach to providing value to workers in exchange for work performed. Compensation could win many functions helping in enlisting, job performance, and job satisfaction. Compensation management, additionally called wage and earnings administration, remuneration management, or reward management, is bothered with coming up with and implementing total compensation package. The standard conception of wage and earnings administration emphasized on solely determination of wage and earnings structures in structure settings. However, over the passage of your time, more varieties of compensation, entered the business field that necessitated to require wage and earnings administration in comprehensive means with an acceptable modification in its terminology. Beach has outlined wage and earnings administration.

1.1.5 Concept of Compensation:

The literal that means of compensation is to counter-balance. Within the case of human resource management, compensation is brought up as cash associated alternative edges received by a worker for providing services to his leader. Cash and edges received could also be in several kinds - primarily based compensation in cash form and numerous edges, which can be related to employee's service to the leader like provident fund, gratuity, and insurance theme, and the other payment that the worker receives or edges he enjoys instead of such payment. "Compensation includes direct money payments, indirect payments within the type of worker edges and incentives to encourage workers to try for higher levels of productivity"

"Compensation includes direct money payments, indirect payments within the type of worker

edges and incentives to encourage workers to try for higher levels of productivity”.

1.1.6 Compensation Dimensions:

Based on higher than description of compensation, we have a tendency to could establish and outline numerous dimensions of compensations. The findings of the research demonstrate the validity and reliability of the scale and conclude five factors which are important to measure employee satisfaction with compensation viz., compensation structure/administration, pay level, organizational justice, pay raise, benefits and pay equity.

1.1.7 Wage and Salary, Incentives, Fringe Benefits

a) Concept of Reward:

A reward is Associate in nursing craving information given to a personality's to change its behavior. Rewards generally function reinforces. A reinforce are some things that, once given once a behavior, causes the chance of that behavior's prevalence to extend. Note that, simply because one thing is tagged as a bequest, it doesn't essentially imply that it's a reinforce. A bequest may be outlined as reinforce providing its delivery will increase the chance of a behavior. Reward or reinforcement is Associate in Nursing objective thanks to describe the positive price that a private ascribes to Associate in Nursing object, behavioral act or an inside physical state.

➤ Minimum Wage:

An earnings is one that needs to be paid by associate degree leader to his staff regardless of his ability to pay. Per the higher than committee, “Minimum wage is that the wage that should give not just for the blank sustenance of life, except for the preservation of the potency of the staff. For this purpose, earnings should give some live of education, medical necessities and amenities.

➤ Living Wage:

Along with the earnings the Committee on honest Wages has given the conception of wage that has been outlined as “A wage is one that ought to modify the wage earner to supply for himself and his family not solely the clean necessities of food, consumer goods and shelter however a live of sparing comfort as well as education for his kids, protection against ill-health, needs of essential social wants and a live of insurance against the a lot of necessary misfortunes as well as adulthood.”

➤ Fair Wage:

The idea of honest wage is coupled with the capability of the trade to pay. The Committee has outlined honest wage as “Fair wage is that the wage that is on top of the remuneration however below the remuneration. The lower limit of the honest wage is clearly the minimum wage: the higher limit is to be set by the capability of the trade to pay.

b) Incentives:

‘Incentive’ is also outlined as any reward of profit given to the worker over and higher than his wage or remuneration with a read to motivating him to surpass in his work. Incentives embody each financial likewise as non-monetary reward. A theme of incentive could be a attempt to encourage individual or cluster performance. The subsequent square measure a number of the definitions of the term ‘Incentive’, “Wage incentives square measure additional monetary motivation. They’re designed to stimulate human effort by gratifying the

person, over and higher than the time rated remuneration, for enhancements within the gift or targeted results”.

➤ **Need for incentive:**

It is true that financial compensation will represent vital reason for the operating of a worker. However, this compensation alone cannot bring job satisfaction to the employees. One cannot expect effective performance from an employee WHO is discontent with its job, although he's well paid. Sociologists and industrial psychologists conjointly read that the monetary facet isn't the sole dominant motivating force. Confidence within the management, pride within the job and in firm and concern for the general smart cannot be brought by a bonus. Therefore, the fashionable authorities on management science have recognized the necessity for the availability of incentives to create up smart morale.

➤ **Classification of Incentives:**

All sorts of incentives are broadly speaking classified into 2 types particularly,

- Money Incentives
- Non-financial Incentives.

➤ **Financial Incentives:**

Financial incentives or monetary system incentives area unit the foremost original of all the incentives. It is given within the kind of cash. The money incentives still type the foremost necessary influencing and motivating issue up to an exact limit. As a result of its solely by virtue of the financial compensation that the employees will satisfy their elementary desires like food, clothing, shelter, etc. The money incentives could also be either direct or indirect.

Direct incentives embody wages, bonus and different incentives directly given to the employees within the kind of money. Indirect money incentives embody subsistence allowance expenses, medical expenses.

➤ **Other Incentives:**

Other incentives like fast promotion, provisions of facilities for development and coaching, provision of labour welfare, amenities, etc. even have a big role to play in motivating the workers.

C) Fringe Benefits

➤ **The fringe benefits are categorized:**

- Payment for time not worked:

Edges underneath this class embody - leave with pay, vacation pay, paid rest and relief time, paid lunch periods, grievance time, talk's time, period, etc.

- Additional get hold of time worked:

This class covers the advantages like - premium pay, Incentive bonus, shift premium,

maturity insurance, share, social insurance, Christmas Bonus, Diwali or Pooja bonus, food value grant, housing grant, recreation.

Organizations give a spread of fringe edges. The perimeter edges square measure classified underneath four heads as given here

1.1.8 Employment Security:

Benefits underneath this head embody state insurance, technological adjustment pay, leave travel pay, overtime pay, leave for negotiation, leave for maternity, leave for grievances, holidays, value of living bonus, call-back pay, retiring rooms, jobs to the sons/daughters of the staff and therefore the like.

1.1.9 Health Protection:

Benefits underneath this head embody accident insurance, social insurance, insurance, hospitalization, life assurance, medical aid, sick edges, sick leave, etc.

1.1.10 Old Age and Retirement:

Benefits underneath this class include: delayed financial gain plans, pension, gratuity, provident fund, maturity help, and maturity content, medical edges for retired staff, travel concession to retired staff, jobs to sons/daughters of the deceased worker and therefore the like.

1.1.11 Personnel Identification, Participation and Stimulation:

This class covers the subsequent benefits: day awards, group action bonus, canteen, cooperative credit societies, academic facilities, beauty parlor services, housing, tax aid, content, quality bonus, and recreational programs, stress content, safety measures etc.

1.1.12 Employee Security:

Physical and job security to the worker ought to even be given a read to promoting security to the worker and his members of the family. The good thing about confirmation of the worker on the task creates a way of job security. Any minimum and continuous wage or earnings offers a way of security to the life.

1.1.13 Retrenchment Compensation:

The Industrial Disputes Act, 1947 provides for the payment of compensation just in case of lay-off and retrenchment. The non-seasonal industrial institutions using fifty or a lot of employees need to offer one month's notice or one month's wages to any or all the employees WHO square measure retrenched once one year's continuous service. The compensation is paid at the speed of fifteen days wage for each completed year of service with a most of forty five days wage in a very year. Employees square measure eligible for compensation as explicit higher than even just in case of closing down of undertaking

1.1.14 Lay-off Compensation:

In case of lay-off, staff square measure entitled to lay-off compensation at the speed of fifty of the entire of the essential wage and costliness allowance for the amount of their lay-off aside from weekly holidays. Lay-off compensation will ordinarily be paid up to forty-five days in a very year.

1.1.15 Safety and Health:

Lighting, potable, toilet facility urinals, and spittoons. Employee's safety and health ought to be taken care of so as to shield the worker against accidents, unhealthy operating conditions and to shield worker's capability.

In India, the Factories Act, 1948, stipulated sure needs relating to operating conditions with a read to produce safe operating setting.

These provisions relate to cleanliness, disposal of waste and effluents, ventilation and temperature, dirt and fume, artificial humidification, crowding, Provisions regarding safety measures embody fencing of machinery, work on or close to machinery in motion, employment of juvenile on dangerous machines, putting gear and devices for alienating power, self-regulating machines, easing of recent machinery prohibition of employment of ladies and kids close to cotton openers, hoists and lifts, lifting machines, chains ropes and lifting tackles, revolving machinery, pressure plant, floors, excessive weights, protection of eyes, precautions against dangerous fumes, explosive or ignitable dirt, gas, etc.

Precautions just in case of fireside, power to need specifications of defective components of look at of stability, safety of buildings and machinery



1.2 INDUSTRY PROFILE

SHIPPING AND LOGISTICS:

The logistics sector in India is considered crucial to boosting international commerce as it contributes immensely to the growth of the economy. Since it ensures quick, inexpensive, and efficient transportation of goods throughout India, and as other commercial sectors depend on it, the industry is rapidly evolving and has evolved as the backbone of the Indian economy.

Another indicator of the growth of the logistics industry is the fact that India achieved a remarkable improvement in its score from 78.5% in 2019 to 90.3% in the 2021 United UNESCAP Global Survey on Digital and Sustainable Trade Facilitation. Almost 95 percent of nation's commerce by volume and 70 percent by value is transported by sea. The expansive 7,500 km of coastline is just one of two geographical variables that favourably position India's maritime industry.

India is a potential location for shipping and trans-shipment in the future due its nearly 7517 km of coastline, 12 main ports, and 187 minor ports. This is how the shipping logistics industry has significantly contributed to the Indian Economy.



CONTRIBUTION OF GDP

The shipping and logistics industry is a vital component of the Indian economy, contributing significantly to the country's gross domestic product (GDP).

As per the Economic Survey 2021, the logistics industry accounts for 13-14% of the country's GDP. The industry's contribution to the economy is mainly due to the efficient movement of goods, which helps reduce costs and increase productivity.

EMPLOYEMENT

According to the Economic Survey 2021, the logistics industry employs over 22 million people in the country, making it one of the largest employers in India. The industry provides employment opportunities in various areas such as transportation, warehousing, packaging, and courier services, among others.

EVOLVING MARITIME CLUSTERS

Maritime clusters further encourage innovation, open employment opportunities, draw in foreign capital and even inspire fresh concepts.

The Indian government has selected two significant maritime clusters in Gujarat and Tamil Nadu so they can draw business and enhance the total economics for the cluster members due to the manufacturing strength, size of the ports, and synergies with other steel ancillaries

FOREIGN TRADE

It plays a crucial role in India's foreign trade, facilitating the movement of goods across borders. India is one of the largest exporters of textiles, pharmaceuticals, and agricultural product globally. The efficient handling of cargo by the logistics industry has enabled Indian exporters to gain a competitive edge in international markets.

INFRASTRUCTURE DEVELOPMENT

The growth of the industry in India has led to the development of the country's infrastructure.

The government has taken various measures to improve the transportation and logistics infrastructure in the country, such as developing new ports, upgrading existing ones, and constructing new highways and railways.

These initiatives have enabled the industry to grow and contribute significantly to the economy.

REDUCED COSTS

- The industry has also helped reduce costs for businesses in India. The efficient movement of goods has helped reduce transportation costs, which has a positive impact on the overall cost of goods.
- This has helped Indian businesses become more competitive in both domestic and international markets.
- The shipping and logistics industry is a crucial component of the Indian economy, contributing significantly to its growth and development.
- The industry's contribution to GDP, employment, foreign trade, infrastructure development, and reduced costs cannot be overstated. Further, many elements favour the growth of a strong and sustainable maritime industry.
- As a result, it can be stated that India is poised to experience a significant maritime revolution over the course of the next few years. And to address the challenges of the industry.
- The government and industry stakeholders need to work together to develop a more efficient and sustainable shipping and logistics industry.

FREIGHT FORWARDING

The freight and logistics industry experienced significant disruption caused by the COVID-19 pandemic. To maintain profitability, drive operations efficiency and respond to evolving industry and competitive pressures, freight and logistics companies need to look beyond traditional tools and resources for warehousing, procurement and supply chain management.

To gain a competitive advantage in today's complex environment, developing new freight and logistics solutions to better navigate ecosystem disruptions is crucial. Increasing e-commerce digital transactions helps bring logistics management beyond the COVID-19 crisis and helps ensure that customers aren't affected by whatever challenge is next. Stay ahead of the crisis curve with technologies that include data, the Internet of Things (IoT), cloud and artificial intelligence to optimize operations, improve asset performance management and lower global logistics costs. Take advantage of IBM's knowledge and expertise so you can run smoothly no matter what's around the bend.



Freight forwarding is the act or process of transferring or transporting shipment from one place to another. Shipping is a closed term and contains information that is related only to shipping. Such as shipping costs, shipping documents, types of shipping, and many more. On the other hand, Logistics is a much complex term consisting of several different groups or departments. Where shipment is a concise and closed term, logistics is a broader term and shipping management is a part of logistics management.

SHIPMENT PLANNING

When the shipping company receives a product, many activities are to be done. The shipment planning consists of preparing Shipping documents, classifying the type of shipment, and preparing

the invoice status.

a) SHIPMENT DOCUMENT

The shipping documents are the first step of planning. There are many types of shipping documents that are mandatory for the proper working of the shipment process. Few of them are shipping policy documents, shipping labels, preparing bills of lading and freight bills, shipping insurance documents, ensuring there is a packing list, and a commercial invoice paper.

b) SHIPMENT TYPE

Once, the shipping documents are in order, you need to check if the type of shipping is mentioned, and if not, make sure the same is present (at least for internal purposes). This way, there are less chances of discrepancies and transparency is maintained between both the parties. The types of shipment include rail shipment, road shipment, air shipment, and sea shipment.

c) PREPARE INVOICE STATUS

The shipping documents are checked and the type of shipment is also verified. It is time to make sure the payment terms are clear, and if not, the same is mentioned on the payment documents. Always maintain a ledger for internal references where the invoices of each and every shipment is clearly mentioned. Also, clarify the same with the client to ensure clarity and transparency.

The invoice status should mention if the transaction is made in partial payment or full payment. Also, mention if it is expedited shipping, flat rate shipping, or any such important information.

1.3 COMPANY PROFILE

“AGGRANDIZE VENTURE” is a proud software & KPO solutions provider with custom technology solutions that cater to the needs of the container shipping and logistics industry. As an application development company with software developers, Aggrandize Venture combines the right amount of technological expertise, specific domain experience, and passion for excellence to provide enterprise-grade solutions that cater to the needs of all their client in the shipping industry.



Aggrandize Venture will be your true and seamless technology partner and we assure you to help you to streamline your business process that will accelerate your business operations. Our customer includes leaders in the fields of NVOCC, Freight Forwarding, Depot and Warehousing and almost every aspect of the supply chain. They consider the growth of their customer to be their growth, so they dedicate themselves to help them succeed. Thus, they use innovation and

creativity or provide world-class software development services to improve the efficiency of their customers' business. Their software lets your profitability and helps you to achieve higher returns on investment (ROI)□

ZEALIT ERP

ZEALIT Shipping ERP from Aggrandize, is an Integrated Logistics Software that can efficiently manage the operations of NVOCC (both Principal & Liner Agency), Freight Forwarding, Customs Clearance, Warehousing, Transportation & Distribution, Depot Management, Container Trading with full-fledged Finance & Accounting module and Business Intelligence.

NVOCC - OPERATIONS MANAGEMENT

- ❖ ZEALIT Can be used as both Principal or Agency based system
- ❖ Handle any type of inventory like GPs, Reefers and ISO Tanks
- ❖ Get full visibility of your inventory around the globe with complete tracking
- ❖ Automated Detention & Demurrage calculation and SOA generation
- ❖ Simplify documentation procedures like Booking confirmation, BL, arrival notices, DO and manifests with user friendly interface
- ❖ Implemented with Customer Self – Service Portal to raise booking, track shipments, prepare SI and BL printing, e-Invoicing and e-DO enabling the businesses to adapt to the new normalcy. Supports EDI connectivity with ports, Depots & Banks for quick exchange of data

FREIGHT FORWARDING (ZEALIT)

- ❖ ZEALIT is an user Friendly and flexible solution to handle shipments by sea & air with Customs Clearance
- ❖ Centralized Application that connects carriers, shippers and other service providers for a smooth execution of business
- ❖ Manage customer & vendors contracts
- ❖ Send Quotations, auto create the booking on approval, issue BL and generate Invoice in a single click

WAREHOUSING & DISTRIBUTION

- ❖ ZEALIT helps to Plan, design and Manage warehouse processes
- ❖ Keeps accurate track of material pick up from the plant or the supplier, goods receiving in Warehouse, storage, Goods Delivery, Damages and Return
- ❖ Manage complete operations with minimal labour and thereby improving efficiency and customer service
- ❖ Gain Complete control & arrest loopholes with better finance management
- ❖ Handle billing activity wise and track payables & receivables
- ❖ Supports Cross Docking, Trans loading and domestic & international distribution
- ❖ Enhance Customer experience by eliminating returns due to warehouse errors.

TRANSPORTATION

- ❖ ZEALIT helps transportation in augmenting their transport budget, master the costs, and eases the invoicing process and tracking of the fleets
- ❖ Manage Rates based on customer route pair, Issue Transport order and Capture return load details
- ❖ Generate fuel slip report and manage fuel costs, types & spare parts
- ❖ Simplify operations, tracking and monitoring of goods that are to be delivered in real Time

DEPORT MANAGEMENT

- ❖ ZEALIT enables the depot to report via EDI
- ❖ Manage Gate moves, Maintenance & Repair of containers
- ❖ Maintain Customer Specific Tariff
- ❖ Option to upload photographs and documents
- ❖ Schedule & Plan repairs based on demand
- ❖ Handle depots with multiple location
- ❖ Get real time information on status of all inventory in the Depot

CONTAINER TRADING

- ❖ ZEALIT gives flexibility to lease containers
- ❖ Get Complete visibility of Inventory worldwide
- ❖ Issue Customer quotation, Invoice, release order
- ❖ Get real time report with container wise profit & loss

BUSINESS INTELLIGENCE

- ❖ ZEALIT Provides actionable insights that help you manage costs, profitability and overall business performance
- ❖ Showcase Dashboard with KPI's of Business process
- ❖ Create User configurable Dynamic MIS reports
- ❖ Facilitates quick Decision-Making

FINANCE & ACCOUNTING

- ❖ ZEALIT helps businesses to operate within in the financial laws of countries of

their Presence

- ❖Tax Engine helps to configure tax slabs and assign rule to comply with local tax

Regulation

- ❖Gain complete visibility of Profit & Loss

- ❖Handle end to end accounting procedures and generate tax audit reports

- ❖Ensures complete data security and availability at all times

VISION

Growth of our customers is our growth.

MISSION

We use innovation and creativity to provide world-class software development services to improve the efficiency of our customers' business.

CORE VALUES

- ❖Fast Service Quick Implementation with dedicated customer support

- ❖100% Accuracy Complete Automation that restrict Manual error

- ❖Safety & Guarantee Hosted in highly secured environment with zero down time

BRANCHES

- ❖Dubai

- ❖India

- ❖Malaysia

- ❖Singapore

HRD POLICY

HR policies and procedures give guidance on a range of employment issues for employees, managers and others with responsibility for people. They play an important role in practically and effectively implementing an organization's HR strategy. They also provide consistency and transparency for employees and managers, helping to enhance the psychological contract and create a positive organizational culture.

- Anti Sexual Harassment Policy

- Exit Policy

- HR Policy

- Incentives Policy

- Leave Policy

- Leave Encashment Policy

- Loan Advance Policy
- Recruitment Policy
- Shift Policy
- Training and Development Policy
- Travel Policy
- Other Department Policy

REGISTERED OFFICE

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CHENNAI, TAMIL NADU-600001

1.4 STATEMENT OF THE PROBLEM

The problem statement can be this “what are the Consequences of compensation system issues on the employee performance of an organization”? Job security, promotion and salary are the main problems related to employee’s performance issues, discouraging them working effectively. Employees are the assets of any organization. This research study deals with identifying the impact of compensation system on employee performance. Organizational productivity depends on the employee’s performance. If employee’s problem is addressed properly organizational productivity will surely increase. This study depicts the relationship of variables as job performance of employees with performance appraisal, job security, reward system, job satisfaction, organizational productivity, employee turnover. Due to these variables, it is easy to identify the common problems of employees in organization. Proper management of employees by giving them incentives, and reward system and also showing concern with their work life balance proves to be productive for an organization. Providing creative environment in the organization can enhance their skills. In this regard HR department plays a very vital role in many organizations solving issues of employees and organizational growth. Organizational productivity mainly depends on the commitment of employees, this commitment is made strong when their will be less turnover rate and soft approach is applied with employees.

1.5 NEED OF THE STUDY

- Employers too have found that fringe edges gift enticing areas of negotiation once giant wage and earnings will increase don't seem to be possible.
- **Recognition that fringes edges are non-taxable rewards has been major stimulant to their growth.**
- Economic process and price of living has caused incessant demand for provision of additional profit to the staff.
- The expansion and strength of trade unions has considerably influenced the expansion of company edges and services.
- Employee insufficiency and competition for qualified personnel has light-emitting diode to the initiation, evolution and implementation of variety of compensation plans.

1.6 SCOPE OF THE STUDY

This study will look into the employees' intention to stay in the organization. A number of private sector employees would be selected from the logistics sector of shipping region;

Employees from logistics sector are mainly selected because this sector in shipping is well- known for its turnover or mobility. This high turnover phenomenon is also prevalent in India. In addition, this study is mainly focused on private sector employees because they have the tendency to move from one organization to another organization as compared to employees from the government sector. Therefore, their selection as respondents is more appropriate. With regards to level of position in the organization, the questionnaires are to be distributed to private sector employees in shipping region at low level and middle level. This is to ensure that the collection of data is easily monitored and controlled as well as consistent.

1.7 OBEJECTIVE OF THE STUDY

Primary objectives:

- **To provide security** employees must have guarantee of getting wages or compensation regularly without any break
- **To be cost benefit effective** the organization must make a balance between cost for giving compensation and benefits to be accrued from the employees.

Secondary objectives:

- **To be adequate** compensation must be sufficient so that needs of the employees are fulfilled substantially
- **To be Motivational** compensation must increase the level of motivation and job satisfaction of the employees.
- **To be equitable** compensation policy should be declared in such a way so that no discrimination can be observed

1.8 LIMITATIONS OF THE STUDY

It is the presumption of the traditional approach that the main aim of the compensation system is paying competitively. For this purpose, the compensation professionals in the organizations are likely to be "outwardly focused", observing the practices of the competitor, adopting such practices which seem to be productive, and making use of surveys for recognizing suitable pay levels. A stylish and popularized thinking may really be motivated by this component of compensation management. Contrary to this traditional approach, the efforts are being taken by the successful organizations for distinguishing themselves from other organizations in the market area. Opponents of the traditional approach suggest compensation professionals to "focus inwardly" which will encourage, supervise, and energize performance taking into account the goals and policy of a single organization.

CHAPTER 2

REVIEW OF LITERATURE

2.1 INTRODUCTION OF THE STUDY

1. Bob (2020) Compensation processes are based on Compensation Philosophies and strategies and contain arrangement in the shape of Policies and strategies, guiding principles, structures and procedures which are devised and managed to provide and maintain appropriate types and levels of pay, benefits and other forms of compensation

2. Bob (2019) This constitutes measuring job values, designing and maintaining pay structures, paying for performance, competence and skill, and providing employee benefits. However, compensation management is not just about money. It is also concerned with that non-financial compensation which provides intrinsic or extrinsic motivation.

3. Anyebe (2018) This work however is limited to financial compensation in Anambra State Civil Service as a recent study has shown that pay is the driving force for seeking employment in the Civil Service.

4. Armstrong (2017) stated that compensation management is an integral part of human resources management approach to productivity improvement in the organization. It deals with the design, implementation and maintenance of compensation system that are geared to the improvement of organizational, team and individual performance.

5. Pearce (2017) Compensation implies having a compensation structure in which the employees who perform better are paid more than the average performing employees.

6. Armstrong (2016) Compensation Management is concerned with the formulation and implementation of strategies and Policies that aim to compensate people fairly, equitably and consistently in accordance with their value to the organization.

7. Anyebe (2015) The task in compensation administration is to develop policies and the terms of attracting, satisfying, retaining and perhaps motivating employees.

8. Anambra State Civil Service (2014) which the researchers examined originated from the Eastern Nigeria Government and the old Anambra State. The creation of this state led to the setup of the Anambra State Civil Service. Employing the tenets of traditional public administration, the state civil service was an instrument of the government authorities as well as an impartial interpreter and implementer of the policies and programs of the State Government.

9. Robert and Angelo (2013) opined that the success or failure of organizations hinges on the ability to attract, develop, retain, empower and reward a diverse array of appropriately skilled people and is the key to improved performance hence the enthronement of democratic governance in brought some civil service reforms and Anambra State Civil Service Commission got vested with horizontal powers by law to manage the workforce of the civil service for greater efficiency.

10. Nweke (2013) Successive constitutional reviews and Civil Service reforms have catalysed the evolution of the civil service as an institution for spearheading the rapid transformation of the state and ensuring continuity of administration

11. Armstrong (2012). Compensation management is one of the central pillars of human resources management (HRM). It is concerned with the formulation and implementation of strategies and policies that aim to compensate people fairly, equitably and consistently in accordance with their value to the organization.

12. Hewitt (2012). Compensation Management as the name suggests, implies having a compensation structure in which the employees who perform better are paid more than the average performing employees. This encourages top-performers to work harder and helps to build a competitive atmosphere in the organization.

13. Armstrong and Brown (2012) postulate that compensation management is an integral part of HRM approach to managing people and as such it supports the achievement of business objectives and it is strategic in the sense that it addresses longer term issues relating to how people should be valued for what they want to achieve; It is therefore integrated with other HRM functions.

14. Armstrong (2011) in his own analysis says compensation management is all about developing a positive employment relationship and psychological contract that adopts a total compensation approach which recognizes that there are a number of ways in which people can be compensated

15. Harrison and Liska (2011) in their study posit that reward is the center piece of the employment contract-after all it is the main reason why people work. This includes all types of rewards, both intrinsic and extrinsic, that are received as a result of employment by the organization.

16. Brown (2011) sees compensation as a return in exchange between their employees and themselves as an entitlement for being an employee of the organization, or as a reward for a job well done. Employees' pay does not depend solely on the jobs they hold.

17. Gehart and Milkovich (2010). Instead organizations vary the amount paid according to differences in performance of the individual, group, or whole organization as well as differences in employee qualities such as seniority, educational levels and skills

18. Dyer (2010) The notion that compensation policies are strategic, thereby affecting the missions of the organization, has considerable currency. This is part of the current popularity of all things strategic. While some may write it off as another fad, a less cynical view is that a strategic perspective on compensation is part of a growing recognition that macro-organizational issues are an important part of the study of human resource management.

19. Salter (2010) and Lawler (2009) also considered a series of process decisions to be strategic. These included congruency (consistency with other organization systems), standardization of pay systems across subunits, communications (the type of data to disclose, the channels to use, etc.), participation in decision making (levels of employees involved and nature of involvement), and organization change strategy (the role of compensation in organization change).

20. Schwab (2009) Being strategic about compensation implies support of the business strategy and sensitivity to anticipated environmental pressures. But such a general characterization does not provide much leverage for research or theory building. Nor does it offer much guidance for managing compensation. And the folly of undertaking research based on poorly defined constructs is well recognized

21. Lawler (2009), while not the longest, is perhaps the most inclusive. It includes the

market position (level of pay relative to competitors), internal versus external orientation, hierarchy (the steepness of the pay structure and the basis--job versus skills--for the pay structure reward mix, and the basis of rewards (performance versus seniority, groups versus individual, criteria used, etc.).

22. Carroll (2009) (performance measures, size of bonus, timing, etc.) seem consistent with Lawler's more broadly defined issues (e.g. basis for increases). The original issues proposed for executive compensation have also become more broadly defined and applied to all employees.

23. Kerr (2008), focusing on the compensation of general managers, offered a somewhat different list (35 items in all), including the subjectivity versus objectivity of performance criteria, the time

orientation (short versus long-term), the values orientation (performance versus membership), clarity of the performance-reward relationship, and the proportion of total compensation devoted to incentives.

24. Heneman (2008) The expanding list of decisions claimed to be strategically relevant raises doubts about the efficacy of a strategic perspective. It brings to mind the multiple facets of job satisfaction and pay satisfaction that made the constructs more complex than originally conceived

25. Belcher (2007) Milkovich & Newman, (2008) and Carroll (2007) The first policy, the degree of competitiveness, can vary among organizations and among occupations within organizations. From a strategic perspective, competitiveness refers to positioning a firm's compensation relative to its competitors.

26. Lawrence & Lorsch (2004) According to organization theory, greater diversification gives rise to the need for mechanisms to integrate and control the corporation's separate business units consistent with corporate objectives.

CHAPTER-3

RESEARCH METHODOLOGY

3.1 RESEARCH DESIGN

The method of data collection use in this project is questionnaire. The survey research was processing in the google forms. With the help of questionnaire.

3.2 SOURCES OF DATA

Secondary Data - Websites and online journals, Published reports & Review of literature from published articles

3.3 STRUCTURE OF QUESTIONNAIRE

the basic requisite of any research study is the appropriate data which can be collected with the help of a schedule or questionnaire. With the help of questionnaire, it is easy to determine the involvement level of so many employees in the organization

3.4 SAMPLE SIZE

SAMPLE: 150 respondents is being used for research

METHOD: convenient sample

SAMPLING AREA: Chennai

3.5 SAMPLING TECHNIQUES

Convenience sampling is adopted to collect data from the respondent. A Convenience sampling method is one of the main types of non-probability sampling methods. A convenience sample is made up of people who are easy to reach.

3.6 PERIOD OF STUDY

The period of study is January 2023 through March 2023.

3.7 ANALYTICAL TOOLS

The tool used for the data analysis in the research are simple percentage.

Simple percentage refers to a special kind of ratio. These were used to describe relationship; they

reduce everything to a common base and there by allow meaningful comparison to be made

SIMPLE PERCENTAGE= total number of respondents

*100

Total number of samples



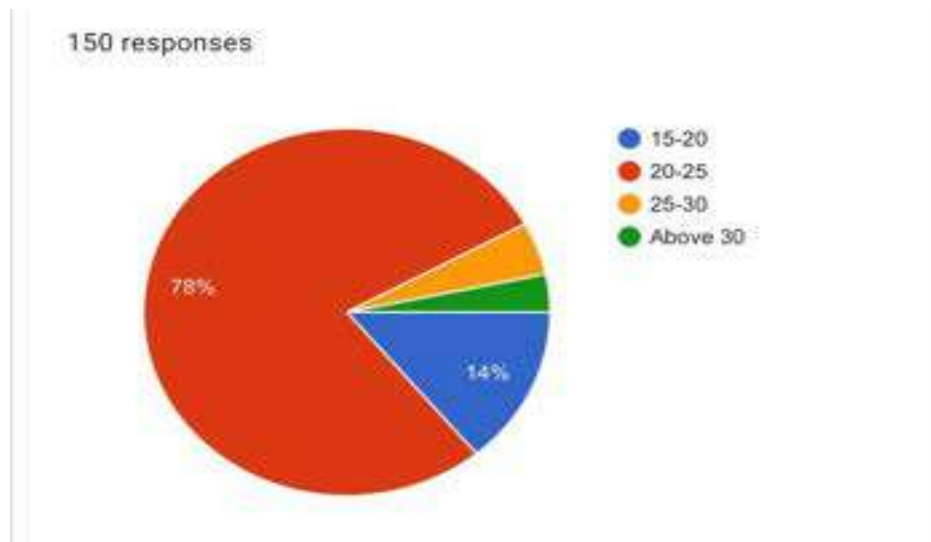
CHAPTER-4

DATA ANALYSIS AND INTERPRETATION

PERCENTAGE ANALYSIS

TABLE NO.4.1 TABLE SHOWING AGE OF THE RESPONDENTS

S.NO	PARTICULARS	NO.OF. RESPONDENTS	PERCENTAGE
1.	18-20	21	14
2.	20-25	117	78
3	25-30	6	4
4	Above 30	6	4
TOTAL		150	100%



INTERPRETATION

It is interpreted from the above table that 14% of the respondents are in the age of 18-20 years, 78% of the respondents are in the age of 20-25 years, 4% of the respondents were in the age group 25-30 years and 4% were in the age of above 30

INFERENCE

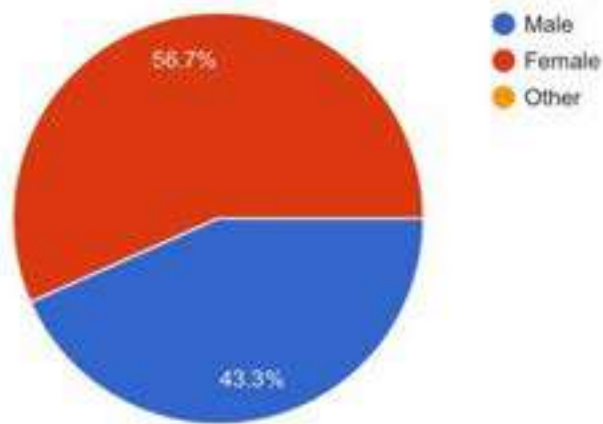
Majority is 78% of the respondents are in the age of 20-25 years

TABLE NO.4.2

TABLE SHOWING THE GENDERS

S.NO	PARTICULARS	NO.OF. RESPONDENTS	PERCENTAGE
1.	Male	65	43.3
2.	Female	85	56.7
3.	Others	-	-
TOTAL		150	100%

150 responses



INTERPETATION:

It is observed from the above table that 56.7% of the respondents are male. 43.3% of the respondents were female.

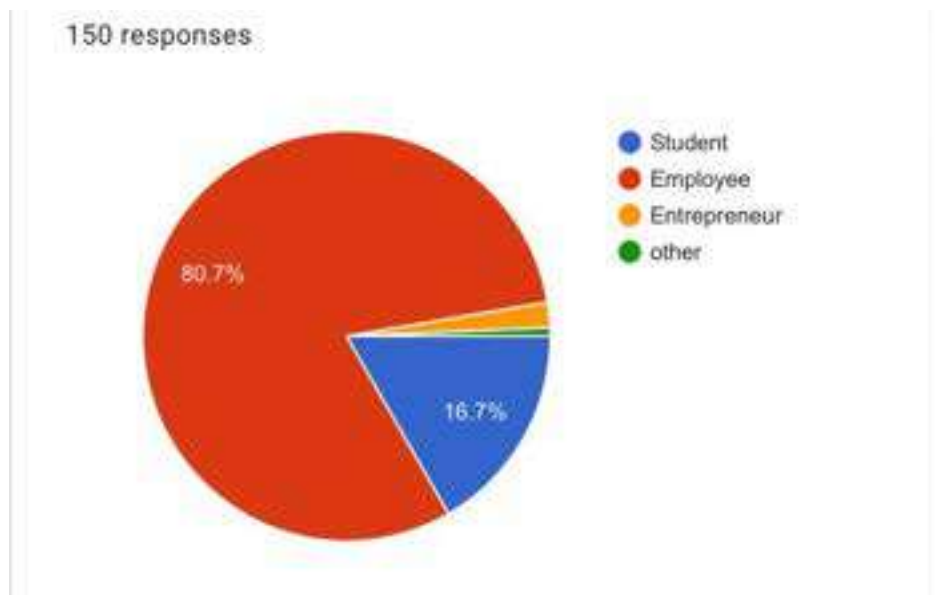
INFERENCE:

Nearly half of the respondents that are 56.7% are males.

TABLE NO. 4.3

TABLE SHOWING THE PROFESSION

S.NO	PARTICULARS	NO.OF. RESPONDENTS	PERCENTAGE
1.	Student	25	16.7
2.	Employee	121	80.7
3.	Entrepreneur	3	2
4.	Other	1	0.6
TOTAL		150	100%



INTERPETATION:

It is obvious from the above table that 16.7% of respondents are students, 80.7% of respondents are employee, 2% of respondents are entrepreneur, 1% of respondents are other.

INFERENCE:

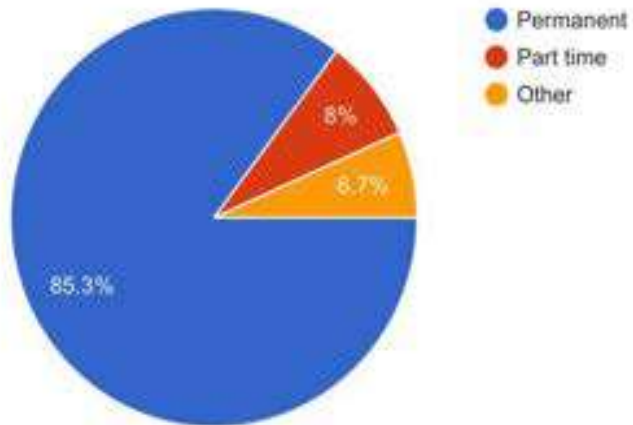
Majority is 80.7% of respondents are employee

TABLE NO. 4.4

CATEGORY OF EMPLOYEES

S.NO	PARTICULARS	NO.OF. RESPONDENTS	PERCENTAGE
1.	Permanent	128	85.3
2.	Part time	12	8
3.	other	10	6.7
TOTAL		150	100%

150 responses



INTERPETATION:

It is interpretation from the above table that 85.3% of the respondents are permanent employees, 8% of the respondents are part-time, 6.7% of the respondents are others

INFERENCE:

Majority is 85.3% of the respondents are permanent

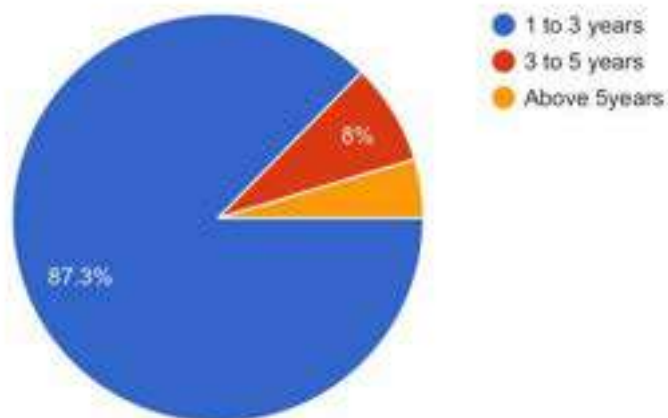


TABLE NO. 4.5

WORKING EXPERIENCE

S.NO	PARTICULARS	NO.OF. RESPONDENTS	PERCENTAGE
1.	1 to 3 years	131	87.3
2.	3 to 5 years	12	8
3.	Above 5 years	7	4.7
TOTAL		150	100%

150 responses



INTERPETATION:

It is interpretation from the above table that 87.3 of the respondents are 1 to 3 years, 8% of respondents are 3 to 5 years, 4.7% of respondents are above 5 years.

INFERENCE:

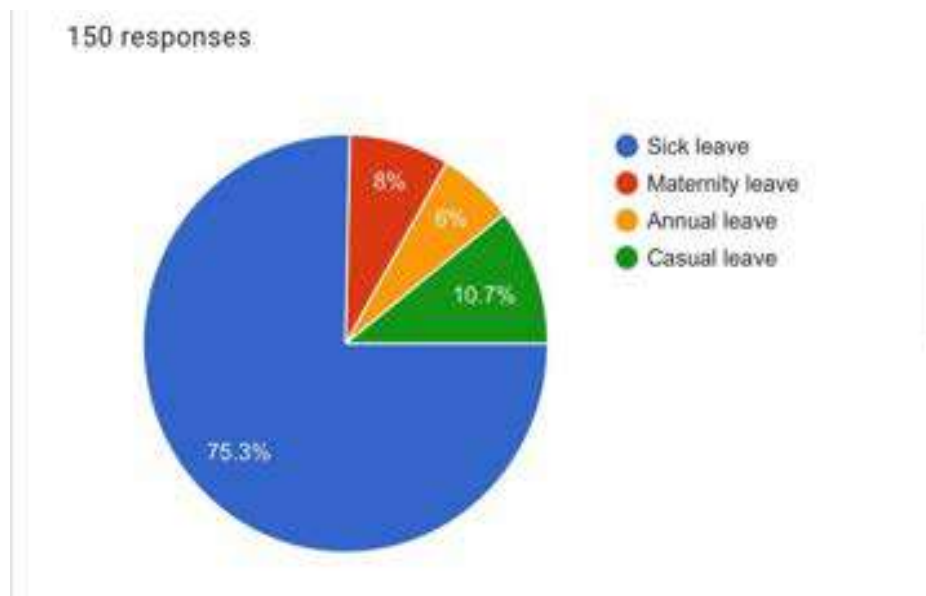
Majority is 87.3% of the respondents are 1to 3 years.



TABLE NO. 4.6

TYPES OF LEAVE BENEFITS AVAILED

S.NO	PARTICULARS	NO.OF. RESPONDENTS	PERCENTAGE
1.	Sick leave	113	75.3
2.	Maternity leave	12	8
3.	Annual leave	9	6
4.	Casual leave	16	10.7
TOTAL		150	100%



INTERPETATION:

It is interpretation from the above table that 75.3% of respondents are sick leave, 8% of respondents are maternity leave, 6% of the respondents are annual leave, 10.7% of respondents are casual leave.

INFERENCE:

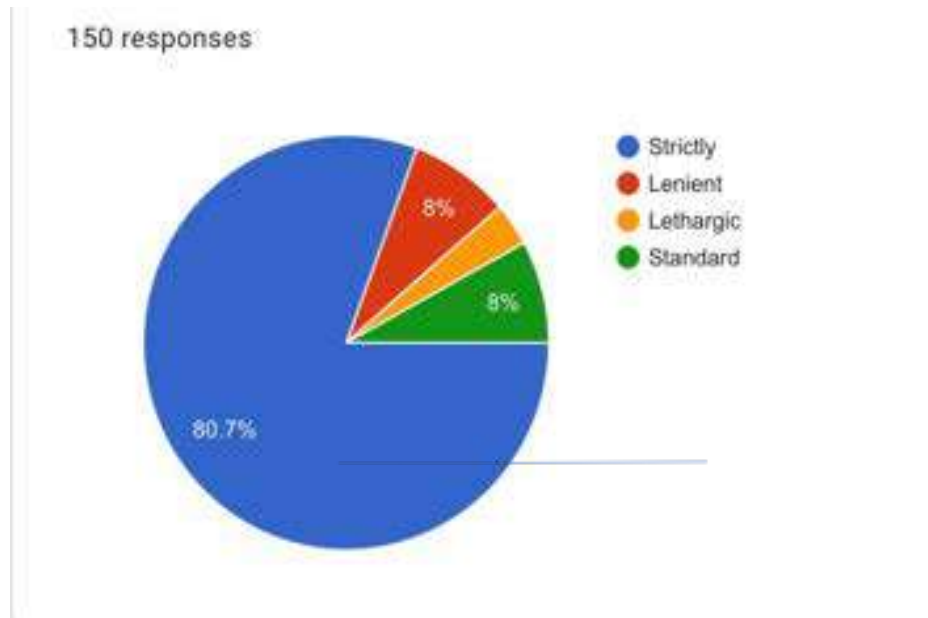
Majority is 76.5% of respondents are sick leave.



TABLE NO. 4.7

LEAVE POLICY

S.NO	PARTICULARS	NO.OF. RESPONDENTS	PERCENTAGE
1.	Strictly	121	80.7
2.	Lenient	12	8
3.	Lethargic	5	3.3
4.	standard	12	8
TOTAL		150	100%



INTERPETATION:

it is interpretation from the above table that 80.7% of respondents are says strictly,8% of the respondents are lenient, 3.3% of respondents are lethargic,8% of respondents are standard.

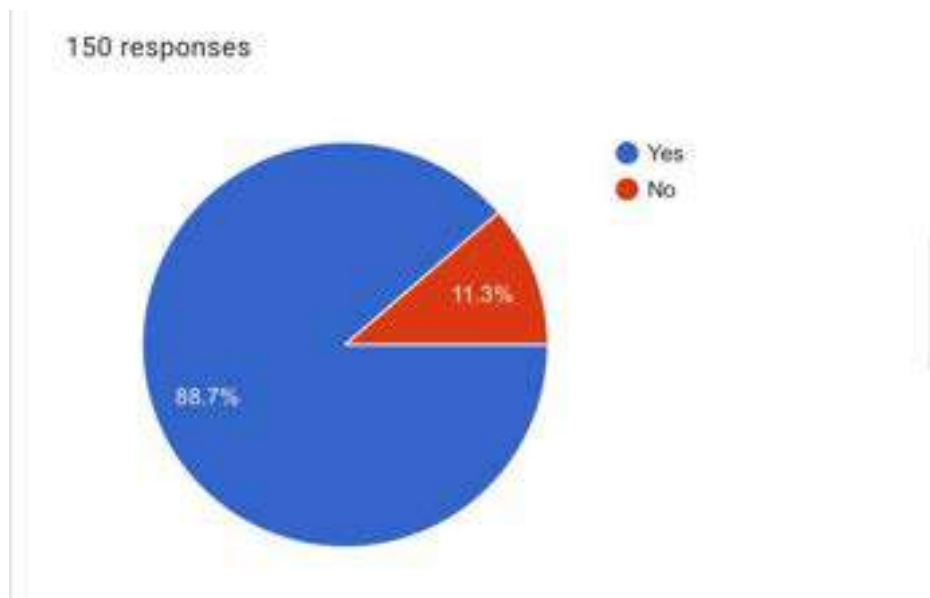
INFERENCE:

Majority is 80.7% of the respondents are says strictly



TABLE NO 4.8

INSURANCE SCHEME			
S.NO	PARTICULARS	NO.OF. RESPONDENTS	PERCENTAGE
1.	Yes	133	88.7
2.	No	17	11.3
TOTAL		150	100%



INTERPETATION:

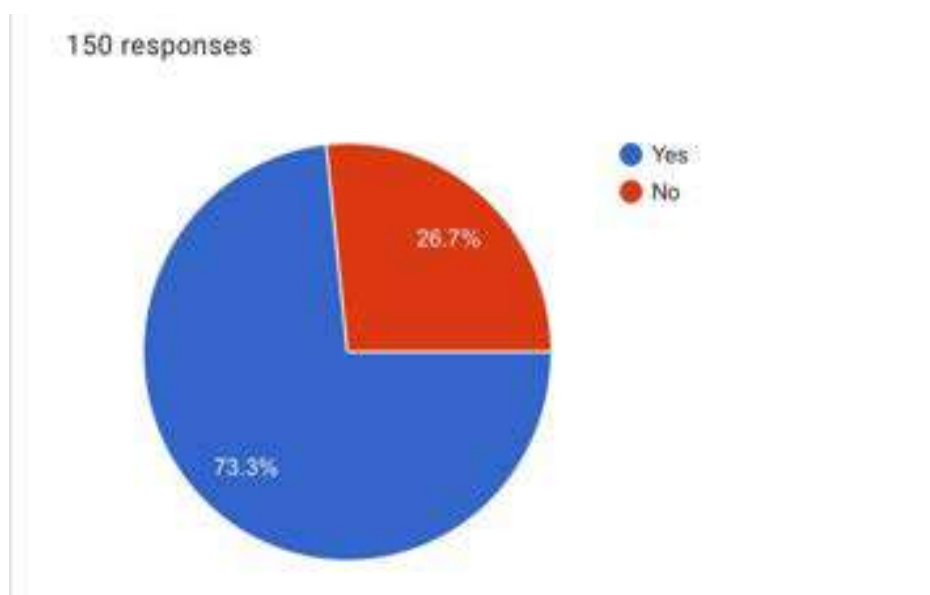
It is interpretation from the above table that 88.7% of respondents are says yes, 11.3% of respondents are says No.

INFERENCE:

majority is 88.7% of the respondents are says yes. □

TABLE NO. 4.9

MEDICAL CHECKUP			
S.NO	PARTICULARS	NO.OF. RESPONDENTS	PERCENTAGE
1.	Yes	110	73.3
2.	No	40	26.7
TOTAL		150	100



INTERPETATION:

it is interpretation from the above table that 73.3% of the respondents are says yes,26.7% of the respondents are says No.

INFERENCE:

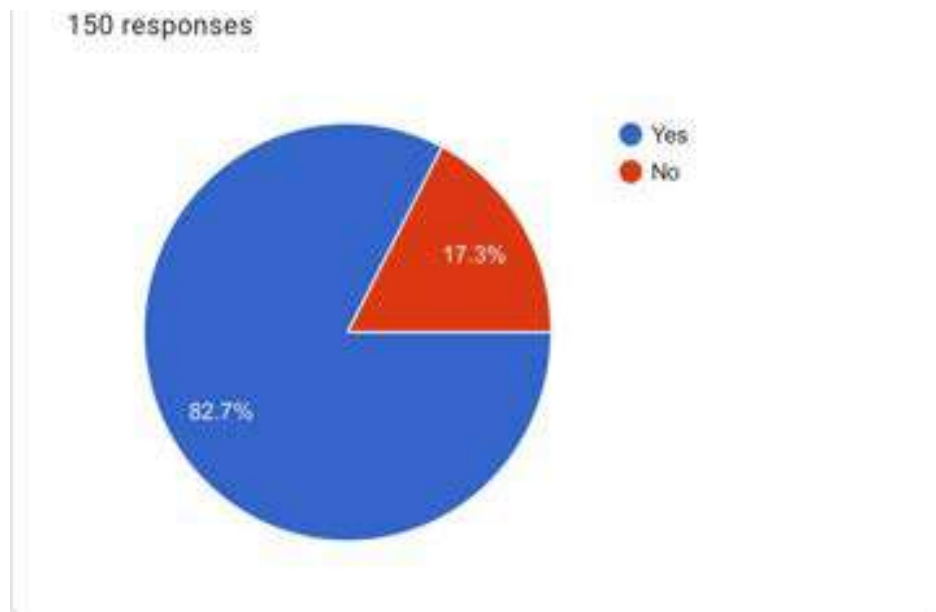
Majority is 73.3% of the respondents are yes.

□

TABLE NO. 4.10

TEAM OUTING

S.NO	PARTICULARS	NO.OF. RESPONDENTS	PERCENTAGE
1.	Yes	124	82.7
2.	No	26	17.3
TOTAL		150	100%



INTERPETATION:

It is interpretation from the above table that 82.7% of the respondents are says yes, 17.3% of respondents are says No.

INFERENCE:

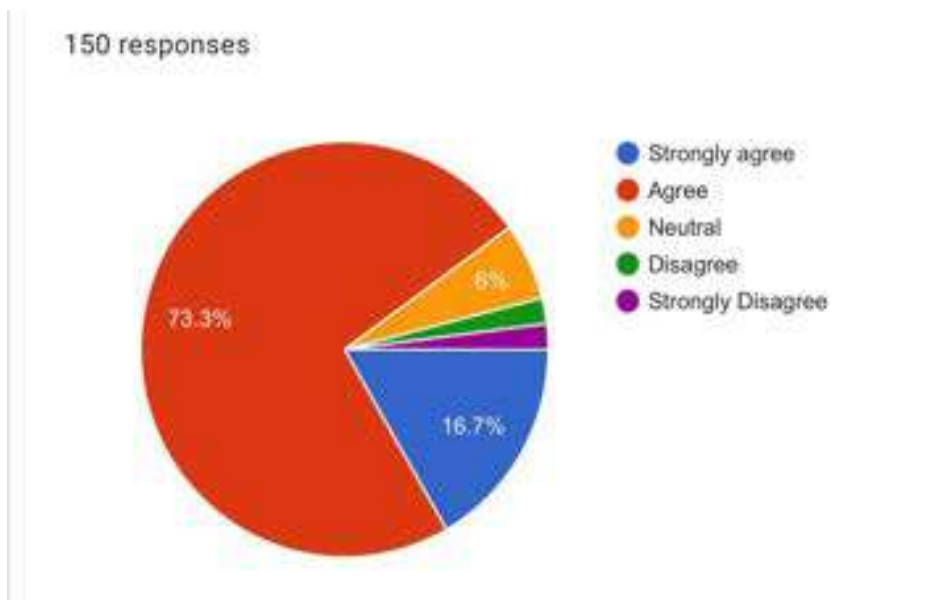
Majority is 82.7% of the respondents are says yes.

□

TABLE NO. 4.11

BONUS SCHEME

S.NO	PARTICULARS	NO.OF. RESPONDENTS	PERCENTAGE
1.	Strongly agree	25	16.7
2.	Agree	110	73.3
3.	Neutral	9	6
4.	Disagree	3	2
5.	Strongly disagree	3	2
TOTAL		150	100



INTERPETATION:

It is interpretation from the above table that 16.7% of the respondents are strongly agree, 73.3% of respondents are agree, 6% of respondents are neutral, 2% of the respondents are disagree, 2% of the respondents are strongly disagree.

INFERENCE:

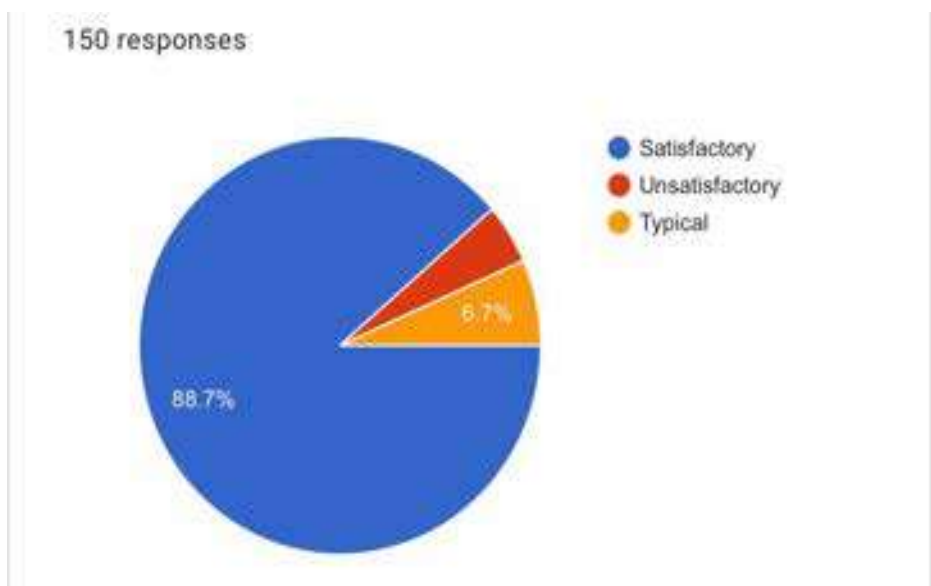
Majority is 73.3% of the respondents are agree.

□

TABLE NO. 4.12

PERFORMANCE APPRAISAL

S.NO	PARTICULARS	NO.OF. RESPONDENTS	PERCENTAGE
1.	Satisfactory	133	88.7
2.	Unsatisfactory	7	4.6
3.	Typical	10	6.7
TOTAL		150	100



INTERPETATION:

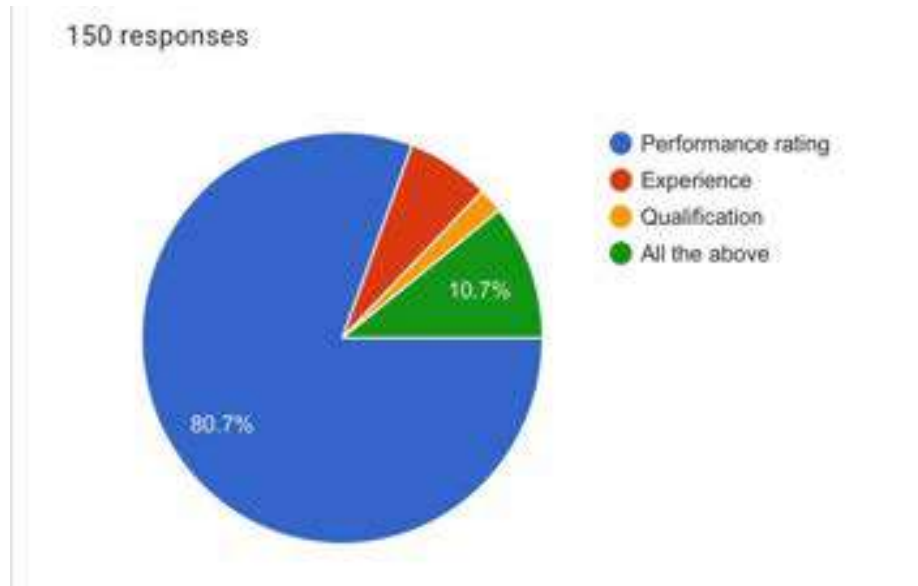
It is interpretation from the above table that 88.7% of the respondents are satisfactory, 4.6% of the respondents are unsatisfactory, 6.7% of respondents are typical

INFERENCE:

Majority is 88.7% of the respondents are satisfactory.□

TABLE NO. 4.13**PROMOTION**

S.NO	PARTICULARS	NO.OF. RESPONDENTS	PERCENTAGE
1.	Performance rating	121	80.7
2.	Experience	10	6.6
3.	Qualification	3	2
4.	All the above	16	10.7
TOTAL		150	100

**INTERPETATION:**

It is interpretation from the above table that 80.7% of the respondents are says performance rating, 6.6% of the respondents are says experience,2% of the respondents are says qualification,10.7% of the respondents are says all the above.

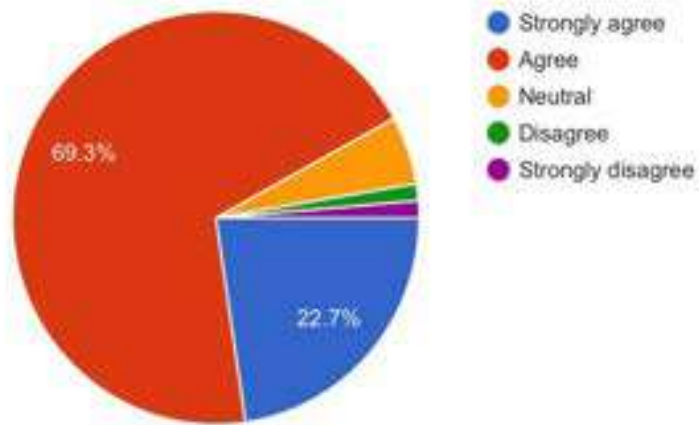
INFERENCE:

Majority is 80.7% of the respondents are performance rating□

TABLE NO. 4.14**INCENTIVE**

S.NO	PARTICULARS	NO.OF. RESPONDENTS	PERCENTAGE
1.	Strongly agree	35	22.7
2.	Agree	104	69.3
3.	Neutral	7	5
4.	Disagree	2	1.5
5.	Strongly disagree	2	1.5
TOTAL		150	100

150 responses



INTERPETATION:

It is interpretation from the above table that 22.7% of the respondents are says strongly agree, 69.3% of the respondents are says agree, 5% of the respondents are says neutral,1.5% of the respondents are says disagree,1.5% of respondents are says strongly agree.

INFERENCE:

Majority is 69.3% of the respondents are agree

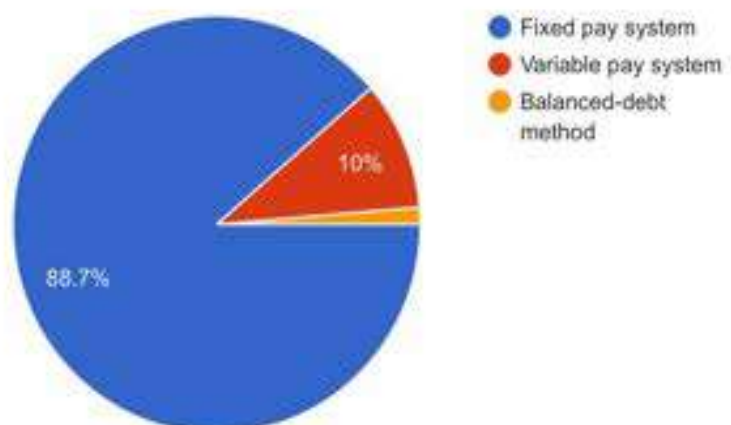
□

TABLE NO.4.15

PAYMENT SYSTEM

S.NO	PARTICULARS	NO.OF. RESPONDENTS	PERCENTAGE
1.	Fixed pay system	133	88.7
2.	Variable pay system	15	10
3.	Balanced-debt method	2	1.3
TOTAL		150	100%

150 responses



INTERPETATION:

It is interpretation from the above table that 88.7% of the respondents are fixed pay system, 10% of the respondents are variable pay system, 1.3% of the respondents are balanced-debt method.

INFERENCE:

Majority is 88.7% of respondents are fixed pay system.

CHAPTER-5

FINDINGS, SUGGESTIONS AND CONCLUSION

5.1 FINDINGS

- ☐ Majority (78%) of the respondents are age between 20 to 25
- ☐ Majority (56.7%) of the respondents are male
- ☐ Majority (80.7%) of the respondents are employees
- ☐ Majority (85.3%) of the respondents are permanent
- ☐ Majority (87.3) of the respondents are 1 to 3 years' experience
- ☐ Majority (75.3%) of the respondents says sick leaves
- ☐ Majority (80.7) of the respondents says leave policy.
- ☐ Majority (88.7) of the respondents says insurance scheme
- ☐ Majority (73.3) of the respondents says yes for medical checkup
- ☐ Majority (82.7) of the respondents says yes for team outing
- ☐ Majority (73.3) of the respondents says agree with the bonus scheme
- ☐ Majority (88.7) of the respondents says performance appraisal satisfactory
- ☐ Majority (80.7) of the respondents says performance rating
- ☐ Majority (69.3) of the respondents says agree with incentive
- ☐ Majority (88.7) of the respondents says fixed payment system.

5.2 SUGGESTIONS

- In training programs practical sessions must receive greater emphasize.

The management may enhance the frequency of employee' s feedback on their performance now, only the employees who belong to committees can participate in decision making

- The management may encourage all the employees to participate in decision-making

process

- The company has to make sure of avoiding bias
 - The company try to maintain transparency.
 - The management may reduce the communication gap between employees.
 - All of the employees working together without any personal grievances.
- Consistent efforts to be taken by management.

5.3 CONCLUSION

The study about the benefits of employees reveals that the workers were satisfied with their ability, co-operation, team work, involvement, supervisors, utilization of their skills and towards etc.

They are highly satisfied with the current situation.

Because of this favourable of the employees show positive behaviours like high involvement, highly commitment to the organization, highly motivated and highly flexible to the organization changes etc.

CHI – SQUARE TEST OF GOODNESS OF FIT:

It is used to test the significance of discrepancy between theory and experiment. χ^2 test of independence and goodness of fit is one of the non parametric test in statistical work. It is defined as

$$\chi^2 = \sum \frac{(O_i - E_i)^2}{E_i} \quad n \quad i=1$$

Where O_i refers to the observed frequencies, E_i refers to expected frequencies

PROCEDURE:

To determine the value of chi square the step required are as follows

- Calculation of expected frequencies: In general, the expected frequency for any cell value can be calculated from the following
 $E_i = \frac{\text{Row total} \times \text{Column total}}{\text{Grand total}}$
- Take the difference between observed and expected frequencies and obtain the squares of these differences. $(O_i - E_i)^2$
- Divide the values of $(O_i - E_i)^2$ by E_i and obtain the total of these values. • This gives the value of χ^2
- If the value of χ^2 is zero it means that the expected and observed frequencies completely coincides, the greater the discrepancy between the observed and expected frequencies, the greater shall be the value of chi square.

- The calculated value of chi-square is compared with the table value of χ^2 for the given degrees of freedom at a certain specified level of significance(5%)
- If χ^2 calculated value is greater than χ^2 table value, then there is discrepancy between the theory and the experiment, otherwise it is not significant.

HYPOTHESIS:

It is an imaginary statement or assertion about the value of the unknown parameter. They are of two types

- 1.Ho –null hypothesis- the compensation benefits for employees does not effective
- 2.H1 – alternative hypothesis- the compensation benefits for employees does effective

Result: H1-Alternative hypothesis is effective for employees .

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- Lawler's(2009)<https://hr-guide.com/>

ANNEXURE

Questionnaire

1.Types of leave benefits availed

a) Sick leave b) maternity leave c) annual leave d) casual leave

2. Supervisor follows the leave policy
a) Strictly b) lenient c) lethargic d) standard
3. Organisation provides insurance scheme for me and my family
a) Yes b) no
4. Organisation provides frequent medical checkups for the employees.
a) Yes b) no
5. Am satisfied with bonus scheme in my company
a) Strongly agree b) agree c) neutral d) strongly disagree e) disagree
6. I feel that the performance appraisal method and increment policy are
a) Satisfactory b) unsatisfactory c) typical
7. The promotions are generally linked with
a) Performance rating b) experience c) qualification d) all the above
8. Am satisfied with the incentive schemes
a) Strongly agree b) agree c) neutral d) strongly disagree e) disagree
9. Which type of compensation payment system do you prefer?
a) Fixed pay system b) variable pay system c) balanced debt method
10. My organisation provide pay leaves
a) Yes b) no

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