

# A STUDY ON IMPACT OF EMPLOYEE COMPENSATION ON EMPLOYEE COMMITMENT : QUALITY KNITWEAR COMPANY, MADURAI

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**Abstract**— Compensation is a fundamental component in attracting and maintaining the best employees and establish that an organization have the competitive limit in the increasingly competitive globe. Compensation refers to the reward of any Service or works provide by an individual to any firm or organisation. The study deals with the influence of compensation or the organisation commitment of administration staff. The study includes three dimensions of organisation commitment namely affective commitment, continuous commitment, and normative commitment. The data was collected from 120 administration staff in the manufacturing industry. Regression analysis was used to analyse the data. The results prove that the compensation predicts affective commitment, normative commitment and continuous commitment.

**Keywords:** Employee Compensation, Affective commitment, Continuous commitment, and Normative Commitment.

## I. INTRODUCTION

### 1) ABOUT THE COMPANY

Established in 1992, Quality Knit Wears Private Limited is a leading manufacturer and exporter of a wide range of high quality knitted garments situated in Madurai, 170 kms south east of Tirupur, knitwear hub of India. The company entered the new millennium, carrying with it a reputation as the quality supplier of best knitwear and related products. The product line of Quality Knit Wears Private Limited ranges from Under garments, Shorts, T-Shirts, Night wear, Casual wear and other value added garments, as per specification of the customers. The company has manufacturing facility

at Madurai and Tirupur. Moreover a new factory with state of the art of machinery in garment making and finishing is coming up at Madurai Integrated Textile Park, situated at Vadipatti nearby Madurai. Quality Knit Wears Private Limited has always been on the forefront when it comes to assimilating new technologies and machinery into their existing facilities. They are capable to customize the products on various parameters and meet specifications of the customer. The Company is supported by dedicated team of managerial, technical and supervisory personnel in its entire endeavor.

### 2) INTRODUCTION

Compensation refers to the benefit the employees receive in exchange for their work. It is composed of the base wage or salary and incentives or bonuses and benefit. Compensation is a fundamental factor in attracting and retaining the best employees in the organisation.

Every employees need to be compensated for their efforts based on volume of predication. Compensation refers to all forms of financial rewards received by employees. Compensation dissatisfaction can lead to absenteeism, turnover, low performance, job dissatisfaction, strikes and grievances. Employee compensation may influence employee commitment. The commitment of employees towards organization improves the organization effectiveness. Organisation gives compensation in order to fulfil requirement of employee, so it makes the employee feel that organization is concerned for the employee. By three ways employees are committed to the organisation. They are affective commitment, continuance commitment and normative commitment. Affective commitment refers to an employee is emotionally attachment to the

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organization. This leads to employee's willingness to stay long time in an organization, continuance commitment makes the employee to remain in the organization for a long period of time. The employee feels that they might lose the benefits which they won't expect from another organisation. The employees with normative commitment feel a sense of obligation towards the organization even though they are unhappy with the job, or even if they desire to pursue better opportunities.

They feel that they should stay with the organization, because it's the right thing to do. Compensation plays a major role in influencing the commitment of employees. Compensation helps the employee to stay back in the organization. Every employee's needs are met by the compensation they receive. Hence in this study we analyse the impact of compensation on all the dimensions of employee's commitment.

## II. REVIEW OF LITERATURE

**Francis J. Gorman (1999)** states that in October of 1999, congress proposed the most significant and far-reaching amendments to the longshore's men and harbor workers' compensation since federal compensation benefits were first made available in 1927. This act brought major alterations in the level of benefits, administration by the secretary of labour and procedure within the compensation system. The jurisdictional scope of the longshore's men act has been expanded, third party rights have been redrawn and security against loss actions have been eliminated. As a result of these changes made in the harbor workers' compensation act, the patterns of federal compensation practice and maritime personal injury legal proceedings are completely altered and it increased occasions for the court to comment on the effect of these amendments.

**Armstrong and Brown (2007)** suggest that management of compensation is a constituent of Human resource management. It encourages the attainment of employees and follows a deliberate way to worth individuals for their successful reach. Due to its concern in human resource development it is added to HRM activities. This suggestion terminates that its work are only to bring optimistic employment relation and involves

intellectual agreements through which the compensation for people can be easily acknowledged.

**Boyd, Salamin (2001)** Even though many researches are conducted regarding the compensation of employees, only a few are known by the deliberate compensation system which is lined up with the organisation plan of action. Still the subject is unclear, even though many analyses are done on this subject. Salary structure was found to be oriented with the divisional strategies. Furthermore, the most important factor which affects the compensation was found to be the position held by the employees in the company. It is totally to be blamed for the impact brought on the reward system.

**Barry Gerhart and George T. Milkovich (2021)** This study lies on literature of compensation of strategy and analyse compensation ideas which includes Base salary, incentives and bonus more or less 16,000 top and middle level managers and 200 firms in compensation are found using longitudinal data. The supposition is made to analyse base pay and pay mix. This study concludes that organisation shows less liability when it comes to salary conclusion and differ in pay mix than salary level.

**Natalie J. Allen, John P Meyer (2000)** states that commitment of organisation is studied in two ways involving three component models. It states that the employee's commitment relies in three phases. First, the affective commitment of organisation defines that the employees are emotionally attached with the organisation. Second, the continuance commitment of organisation defines that the employees perceive the need to stay with their organisation because of their income and fringe benefits which they won't get these benefits in another organisation. Lastly, the normative commitment of organisation defines how employees feel to stay in the organisation. The employee who committed normatively with organisation feels that they should stay in their organisation. In first study, scales are used to measure these elements. Relationships between the components of commitment with its variables considered their predecessor were explored in Second study.

Canonical correlation analysis is used to find the result.

### **1) RESEARCH OBJECTIVES**

To conduct the company study, the following objectives were drafted:

- To study the impact of compensation organization commits.
- To identify the compensation pattern provided to the employees.
- To identify the employee commitment level of employees in manufacturing sector.
- To understand how compensation improve the motivation of the Employees.
- To identify the problem of compensation system of the organization.
- To find out employees preference regarding compensation which they like to have in future

### **2) SCOPE OF THE STUDY**

- The study has been undertaken to find out effectiveness of employee commitment in the organization.
- To find out the actual drawback involved in compensation that can be evaluated through this study.
- This study is used to bring out the solution for the problems faced by the employees utilize the compensation.
- Through the study, company would be able to know the present commitment level of employee on compensation

### **3) HYPOTHESES OF THE STUDY**

It means tentative generalization of the validity of which remains the tested. In short it deals with certain assumptions made in the study.

1. Null Hypothesis: A hypothesis which assumes that there is no significant difference between sample statistics and population parameter is called null hypothesis. It is denoted by  $H_0$ .
2. Alternative Hypothesis: A hypothesis which assumes that there is a significant difference between sample statistics and population parameter is called alternative hypothesis. It is denoted by  $H_1$ .

### **4) RESEARCH DESIGN AND METHODOLOGY**

This study deals with the influence of compensation or the organisation commitment of administration staff. The study includes three dimensions of organisation commitment namely affective commitment, continuous commitment, and normative commitment. The data was collected from 120 administration staff in the manufacturing industry. Regression analysis was used to analyse the data. Research Design describes the study and focus at finding Employee Compensation and Employee Commitment in Integral Coach Factory Chennai.

#### **A. Primary data**

In this study, the primary data was collected through structured questionnaire. Questionnaire is implemented to collect the primary data from 120 selected sample respondents in organization.

#### **B. Secondary data**

Except the primary data, the secondary data was also collected for the study. Websites, books were referred for this purpose from the library to promote proper understating of the study.

### **5) DATA SOURCES**

Data was taken mostly through primary data. However company and product profiles were referred too. A structured UN- disguised interview schedule was designed to collect data source. The schedule method was opted since the method would help to concise amount of information.

### **6) STATISTICAL TOOLS APPLIED**

Statistical tools like simple percentage and chi square used in the compilation and computation of data.

- Percentage Analysis
- Chi-Square Test
- Correlation Analysis

The primary data had was collected from the samples from various areas and have been properly arranged, edited and tabulated in a systematic format and analyzed by using appropriate statistical tools. A bipartite correlation and liner regression analysis were carryout using SPSS.

**7) LIMITATION OF THE STUDY**

1. It is difficult to find out the definite situation inside the company.
2. Employees may not be able to provide proper information regarding compensation system of the organization.

**III. DATA ANALYSIS AND INTERPRETATION**

**TABLE: 1.1 EMPLOYEE BENEFITS AND ADVANTAGES OF ORGANIZATIONAL COMMITMENT**

Sl.No	Satisfaction Level	No of Respondents	Percentage
1	High employee productivity	35	29.2%
2	Reduced absenteeism	42	35.0%
3	Excellent team players	21	17.5%
4	Strong advocates	22	18.3%
Total		<b>120</b>	<b>100.0%</b>

Source: Data collected from primary

The above table shows that, 29.2% of the respondents are High employee productivity, 35.0% of the respondents are Reduced absenteeism, 17.5% of the respondents are Excellent team players, and remaining 18.3% of the respondents are Strong advocates. Maximum 35.0% of the respondents are reduced absenteeism.

**TABLE: 1.2 FACTORS AFFECTING IN THIS EMPLOYEE BENEFITS AND ORGANIZATIONAL COMMITMENT**

Sl.No	Satisfaction level	No of Respondents	Percentage
1	Encourages involvement	47	39.2%
2	job and trusts	42	35.0%
3	Goals and objectives	20	16.7%
4	company offers	11	9.2%
Total		120	100%

Source: Data collected from primary

The above table shows that, 39.2% of the respondents are Encourages involvement, 35.0% of the respondents are job and trusts, 16.7% of the respondents are Goals and objectives, and remaining 9.2% of the respondents are company offers. Maximum 39.2% of the respondents are Encourages involvement.

**IV. IMPLICATIONS**

Identity of recognition improves the employee commitment towards the organisation. Essentially, each individual wants to be recognised and appreciated as a valued person, particularly by the employer. The benefits can be handled by cafeteria approach. Due to the difference in Gender, age, marital status, educational qualification, there is a chance of differences in their choice of a particular benefit. This is known as the cafeteria approach. Lack of Medical Reimbursement in the organisation will lead to less Employee commitment. The benefits should satisfy real needs of the workers. This means that the organisation must first determine what the employee’s real needs are with the active participation of workers. Obtain feedback from employee and, conduct employee compensation surveys often. Ask employees what they want more in their positions, and what they want less. This help them to show that organisation were concerned. Crèches can be developed to improve the commitment of women employees. The organization can provide their employees with simpler rewards which may bring them with large outcome towards their excellence. Employers should praise and recognize their employees in a specific manner.

**V. CONCLUSION**

An organization should concentrate towards the growth of their employees which automatically creates good commitment of employees towards their goals and objectives. An employer’s main goal is to attract and retain the employees by structuring the compensation in an effective manner. An organization to excel its needs to focus on all parts of their management, optimizing the use and effectiveness of all of its resources, Compensation must motivate the employees to contribute their best

and it must be fixed as per their needs and aspirations and should be based on their performance. There is need for innovative tools and techniques and strategies in compensation management that customize the individual needs of the employees for ensuring better productivity and performance at the workplace. The fact is employee commitment and engagement towards an organization paves the way for an organization to achieve its goals and objectives in a standard approach. Hence by planning the compensation effectively, high standard of performance can be achieved.

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