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A Study on the Impact of Wage and Salary Management on the Performance of IT Employees in Hyderabad

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Abstract

This research endeavors to investigate the relationship between wage and salary management practices and the performance levels of Information Technology (IT) employees in the vibrant city of Hyderabad. As compensation is a critical factor influencing employee motivation and productivity, understanding its impact on the performance of IT professionals becomes crucial for organizations operating in the technology sector. Employing a mixed-methods approach, combining surveys and interviews, the study aims to examine the various aspects of wage and salary management, including fairness, transparency, and competitive benchmarks, and their influence on employee performance. Key objectives include assessing the correlation between compensation satisfaction and job performance, identifying the factors that contribute to employee perceptions of fairness in wage and salary structures, and exploring the role of non-monetary incentives in enhancing overall job satisfaction and productivity. Additionally, the research aims to provide insights into the preferences and expectations of IT employees regarding their compensation packages. The findings of this study are anticipated to contribute valuable insights for IT organizations in Hyderabad, helping them optimize wage and salary management practices to attract, retain, and motivate high-performing talent.

Keywords: Wage and Salary Management, IT Employees, Performance Levels, Compensation Satisfaction, Job Performance, Fairness, Transparency, Non-monetary Incentives, Job Satisfaction, Hyderabad.

1. Introduction

Wage and salary Administration a collection of practices and procedures used for planning and distributing company-wide compensation programs for employees. These practices include employees at all levels and are usually handled by the accounting department of a company. Wage and salary administration is defined as the process by which wage, salary levels and structures are determined in organizational settings. Wages are payments for labour services rendered frequency, expressed in hourly rates, while a salary is a similar payment, expressed in weekly, monthly or annual rates. A 'wage' (or pay) is the remuneration paid, for the service of labour in production, periodically to an employee/ worker. "Wages" usually refer to the hourly rate or daily rate paid to such groups as production and maintenance employees ("blue-collar workers"). Salary' normally refers to the weekly or monthly rates paid to clerical, administrative and professional employees ("white-collar workers") [1]. One of the most important factors in Human Resource Management is Compensation Management. The soundness of compensation management depends upon the amount of wage or salary is paid to an employee for a fair day's work. Wage and Salary administration refers to the established and implementation of sound policies and practices employee compensation. Wage and salary administration is one of the vital areas of the personnel administration. For sound wage and salary policies and programs are essential. To procure, maintain, develop, promote and transfer employees and to get effective results from them. Wage and Salary Administration' refers



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to the establishment and implementation of sound policies and practices of employee compensation. The basic purpose of wage and salary administration is to establish and maintain an equitable wage and salary structure. Wages and salaries are often one of the largest components of cost of production and such have serious implications for growth and profitability of the company. The Wage & Salary [2] Administration play's vital role in the employee productivity. The study Wage & Salary Administration gives the brief information about the employee compensation in the organization and it explains employee reward system and it determine the performance of employee on their work. The purpose for the study is to know the salary and incentive packages offered by the employees which are Cost Effective and at the same time provides Job Motivation to Employees. The compensation level decision may be considered the most important one for individuals. In terms of both employee attraction and cost considerations, it is often considered by most managers as a primary consideration. Hence, this research has huge future scope to extend the benefits of salary [3] payments provided to the IT employees. The IT Companies by adopting suitable Wage & Salary Administration practices will help the employees to be motivated to perform better. An organization has to balance fairly financial and non-financial rewards extrinsic awards. Effective awards and intrinsic awards. Effective reward system requires not only that the absolute level of compensation paid by an organization compares favorably but also enquires that it satisfies the principles of internal equity and equity with the job content. [4] The employees' gets pay satisfaction of the perceived salary is equal to actual salary received and actual salary is less than perceived salary the employee is dissatisfied with the salary. The remuneration paid by the employer for the services of hourly, daily, weekly and fortnightly employees. The remuneration paid to the clerical and managerial personnel employed on monthly or annual basis. It is the amount of remuneration for unit of time excluding incentives, overtime pay etc. Is the amount of wage fixed for the unit of time fixed on the basis of job evaluation standards? Is an assembly of all properly evaluated standard wage rates set from in the sequence according to the job and size of the rate? Refer to compensation given to the employees over and above wage rates which often is not directly related to output performance of time worked. Refer to special rates to certain period such as over time, Sundays and holidays. [5] The objective of wage and salary administration is 11 numerous and sometimes conflict with each other. Candidates decide upon their career in a particular organization mostly on the basis of the amount of remuneration the organization mostly on the basis of the amount of remuneration the organization offers qualified and competent people join the best paid organization. The organization should aim at payment of salaries at that level where they can attract competent and qualified people. If the salary does not present compare favorably with that of other similar organization. Employees quit the present one and join the other organization. The organization must keep the wage levels at the competent level, in order to prevent quite. To protect in public as progressive employers and to comply with the wage legislations. [6] To pay according to comply with wage legislations. To pay according to the content land difficulty of the jobs and in tune with the effort and merit of the employees. To Facilitate pay role administration of budgeting and wage and salary control. To Simply collective bargaining procedure and negotiations. To promote organization feasibility. Over all salary range for all the jobs in an organization is arranged. Each job grade will be assigned salary range. These individual salary ranges will be filled into an overall range Overall salary grades of the organization may be adjusted on the data information collected about the salary levels of similar organizations. Individual salary may also be adjusted based on the performance of the individual employees. Wages and salary administration is as old as civil service itself. Wage and salary administration in Nigeria has been a subject of immense controversy in the context of Nigeria politico-administrative setup for several decades now. Nwachukwu (2000) noted that wage and salary administration refers to the development, implementation and on- going maintenance of a base pay system. [7] The central objective or purpose of wage and salary administration is to provide pay that is both competitive and equitable. Agburu (2012) noted that wage and salary administration activities refer to all those processes, strategies, plans and schemes that give rise to pay policies. Such policies set the overall direction of pay within the organizations or establishment, public or private as



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the case may be. The actual development of a base pay system follows the determination of pay policies. The history of Nigeria's pay structure predates her political sovereignty. In the course of evolving an enduring and sustainable pay structure and incomes policy in Nigeria, different commissions have been established, both in the colonial and past colonial periods (Obasa, 2015). These ad hoc bodies set up by different governments to handle wage reviews were often influenced by labor unrests resulting from the desire for better salaries and conditions of service. For instance, in the last decades, committees such as 19-Man Presidential Committee 2000, Wages, Salaries and Emolument Relativity [8] Panel 2004-2005, Consolidation of Public Sector Emolument Panel 2005-2006, Stephen Oronsoye Panel 2010-2012 have emerged to deliberate on the issue of wages and salaries of civil servants. But despite all these efforts, the issue continues to rear its ugly head. Currently government and the umbrella body of labour unions in Nigeria are negotiating for new minimum wages and up till now, noting meaningful has come out of it. A major current trend in wages and salaries administration can be seen in terms of a paradigm shift from base pay to emphasis on incentives. As far as the situation in Nigerian civil and public sectors is concerned, the shift has become a critical development [9]. It appears that the trends are completely reversible in the sense that these benefits are only flexible in an upward direction. One of the most conspicuous attributes of the current wages and Salaries administration trends resides in "monetization". It is gaining a great ground in the Nigerian system. But then, what is "monetization"? It simply implies the quantification in monetary terms (in terms of naira?) of all those benefits that the government and other organizations used to provide for their employees (or staff) as part of conditions of service (Arora, 2008). Unequivocally, the monetization scheme or strategy has become a rewarding policy and apparatus in the interest of the employees [10]. As a device for rewarding performance in monetary terms, most of the staff or employees and unions are most likely to be attracted to it. Under it, the items being partially or fully monetized include meal subsidy, utility allowance, medical allowance, domestic servant, furniture allowance, transport, residential accommodation allowance, duty tour allowance, leave grant, fueling allowance, motor vehicle allowance and so on. The whole "mantra" smacks of the biblical adage that "money answers all things" i.e. that money is a critical or decisive factor in exchange and other transactions (Agburu, 2012) [11].

1.1 Wages and Salaries Administration

Wages are the total earning a worker receives for the performance of services within a period of time. That they are equal to the product of an hourly rate, times the number of pieces plus houses, premiums and fringe benefits. Thus a rate of pay may be based on time output or guaranteed hourly rate plus a bonus ordinarily based on the amount of extra work put beyond the standard required. Rose (2008) also defined "wage as a stated sum per price, hour, day or any other unit or period". Salary on the other hand refers to the weekly or monthly rates to clerical, administrative and professional employees. Mostly determined by mutual agreement between the individual and the employer (Odoh (2012). They are sometimes determined or fixed by the government. The two concepts could therefore be used interchangeably to mean the same thing [12]. Wage or salary is usually based on an agreement between the laborers who offers to sell his services to the management who in turn accepts to pay money in return for the services of the labourer. The monetary value of the services rendered by the employee depends on the quality of services rendered and effort put into such services by the employee. Odoh (2012) maintained that wage and salaries that workers receive from his organization is significant to him or her in three major ways: economic, psychological growth and motivation. The economic importance of wage and incentives is most obvious because it serves as a way of obtaining the necessities and luxuries people need and want. Many workers do not have sources of income besides their pay; therefore, employment in organization is the way to obtain the material necessities of life which can be expected for such items as food, rent, clothes and countless other goods and services. Obasa (2015) noted that wages are important for what they symbolize. For some wages symbolize security, for other it represents success. Increase in reward may permit one to join many clubs and associations. If the boss or organization grants one a sizeable pay increase, this will show the subordinates that the boss



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likes him and approves of his performance [13].

2. Theoretical Framework

Wage and Salary Administration is an integral part of the management of the organization. Wage and Salary Administration contributes to the overall success of the organization in several ways. To be effective, the managers must appreciate the value of competitive pay, their human resources, and have an investment view of payroll costs. We want to maintain pay levels that attract and retain quality employees while recognizing the need to manage payroll costs. Pay is a difficult topic of conversation in most organizations. In fact, the topic is altogether taboo in many workplaces. It simply isn't discussed unless absolutely necessary. [14] And, when it is necessary, such as when a pay raise (or lack of one) must be explained to an employee, many managers find themselves at a loss for words. As the dreaded date of such a discussion approaches, managers may begin checking their sick time banks to see if they can disappear for a day or two. While it may be a touchy subject, pay is a critical factor in the work lives of employees. Jobs are accepted or rejected based in part on starting salary and the opportunity for future increases in pay. Employees compare their pay to that of others in the same line of work. They constantly compare their pay level to their level of contribution, trying to determine whether the ratio of give and receive is a fair one. While it may not be a frequent topic of open discussion, employees think about pay often [15]. Compensation and Reward system plays vital role in a business organization. Since, among four Ms, i.e. Men, Material, Machine and Money, Men has been most important factor, it is impossible to imagine a business process without Men. Every factor contributes to the process of production/business. It expects return from the business process such as rent is the return expected by the landlord, capitalist expects interest and organizer i.e. entrepreneur expects profits. Similarly, the labour expects wages from the process. Labour plays vital role in bringing about the process of production/business in motion. The other factors being human, has expectations, emotions, ambitions and egos. Labour therefore expects to have fair share in the business/production process. Therefore, a fair compensation system is a must for every business organization. The fair compensation system will help in the following: [16]

- An ideal compensation system will have positive impact on the efficiency and results produced by employees. It will encourage the employees to perform better and achieve the standards fixed.
- It will enhance the process of job evaluation. It will also help in setting up an ideal job evaluation and the set standards would be more realistic and achievable.
- Such a system should be well defined and uniform. It was apply to all the levels of the organization as a general system.
- The system should be simple and flexible so that every employee would be able to compute his own compensation receivable.
- It should be easy to implement, should not result in exploitation of workers.
- It will raise the morale, efficiency and cooperation among the workers. It, being just and fair would provide satisfaction to the workers.
- Such system would help management in complying with the various labor acts.
- Such system should also solve disputes between the employee union and management.
- The system should follow the management principle of equal pay.
- It should motivate and encouragement those who perform better and should provide opportunities for those who wish to excel.
- Sound Compensation/Reward System brings peace in the relationship of employer and employees. [17]
- It aims at creating a healthy competition among them and encourages employees to work hard and efficiently.
- The system provides growth and advancement opportunities to the deserving employees.
- The perfect compensation system provides platform for happy and satisfied workforce. This minimizes the labour turnover. The organization enjoys the stability.



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- The organization is able to retain the best talent by providing them adequate compensation thereby stopping them from switching over to another job.
- The business organization can think of expansion and growth if it has the support of skillful, talented and happy workforce.
- The sound compensation system is hallmark of organization's success and prosperity. The success and stability of organization is measured with pay-package it provides to its employees [18].
- Fair Wages: In order to bring about improved relations between labour and management an effort has been made in modern times that the labour gets a fair deal at the hands of owners and managers of industries. Various proposals were undertaken at the Industries Conference in 1947 and a resolution known as the Industrial Truce Resolution was passed. It is provided for the payment of fair wages to labour. The government of India appointed a Fair Wages committee in 1948 to determine the principles on which fair wages should be based and to suggest the lines on which those principles should be applied. According to the report on this Committee, Fair Wages is that wages which the labourer gets for his work just near to minimum wages and living wages. Generally, the current rate of wages being paid in the enterprise are known as fair wages Living Wages: According to Fair Wage Committee Report, "The living wage should enable the male earner to provide for himself and his family not merely the bare essentials of food, clothing and shelter, but also a measure of frugal comfort including education for children, protection against ill health, requirements of essential social needs and a measure of insurance against the more important misfortunes including old age." According to the Committee on Fair Wages, the living wages represent the highest level of the wages and include all amenities which a citizen living in a modern civilized society is to expect when the economy of the country is sufficiently advanced and the employer is able to meet the expanding aspirations of his workers. The Living Wage should be fixed keeping in view the National income and the capacity of the industry to pay.
- Expenses for fuel, light and so on should be equal to 20% of the entire minimum wages [19].

2.1 Wage Policy in India

- ➤ Minimum wage, Fair wage and Living wage
- Minimum Wage: Minimum wage is that which must invariably be paid whether the company, big or small, makes profits and not. It is the bare minimum that a worker can expect to get for services rendered by him. The 15th Indian labour conference (1957) formally quantified the term 'minimum wages' thus:
- ➤ Uncalculating the minimum wage, the standard working class family should be taken to comprise three consumption units for one earner, the earning of women, children and adolescents being disregarded;
- ➤ Minimum food requirements should be calculated on the basis of a set intake of calories as recommended by Dr. Aykroyd for an average Indian adult of moderate activity;
- ➤ Clothing requirements should be estimated on the basis of per capita consumption of 18 yards per annum which give for the average worker's family of four a total of 74 yards;
- ➤ In respect of housing, the rent corresponding to the minimum area provided for under government industrial housing scheme should be taken into consideration in fixing the minimum wage.
- Fair wage: it is that wage which is above the minimum wage but below the living wage. According to the committee on fair wages, 1948, fair wage should be determined taking the following factors into account: [20]
- The productivity of labour;
- The prevailing rates of wages in the same or similar occupations in the same region or neighboring regions;
- The level of national income and its distribution;
- The place of industry in the economy of the country; and
- The employer's capacity to pay.



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Living wage: According to the committee on fair wages, the living wage is the highest among the three. It must provide (1) basic amenities of life, (2) efficiency of worker and (3) satisfy social needs of workers such as medical ,education, retirement, etc. 'living wage' is a dynamic concept, which grows in line with the growth of the national economy.

2.2 State Regulation of Wages

Minimum wages act, 1948

The Act prescribes minimum rate of wages certain sweated and unorganized sectors covered under this Act. The minimum wages can be fixed by hour, day, month or any other time period. The Act provides for setting up a tripartite body consisting of employees, unions and the government, to advise and assist in fixing and revising minimum wage rates. The rates could be subjected to revision at intervals not exceeding 5 years.

Payment of Wages Act, 1936

The main objective of the act is to provide for regular payment of wages without any unauthorized reductions to persons who are employed in any industrial establishment or factory. The Act prescribes all the permissible deductions to be made from the employee's salary, for example fines, deductions for absence, deductions for loss of goods entrusted to worker, Provident fund, insurance premium, etc. [21].

Wage Boards

This is one of the important institutions set up by the government of India for fixation and revision of wages. Separate wage boards are set up for separate industries. Government of India started instituting wage boards in accordance with the recommendations of the Second Five Year plan. Wage boards are not governed by any legislation but are appointed on an ad hoc basis by the government.

- The wage boards take the following factors into consideration for fixing and revising the wages in various industries apart from the normal ones:
- Job evaluation
- Wage rates for similar jobs in comparable industries
- Existing levels of wage differentials and their desirability
- Government's objective regarding social justice, social equality, economic justice and economic equality.
- Need for incentives, improvements in productivity, etc.
- The wage boards fix and revise the various components of wages like Basic Pay, DA, incentive earning, overtime pay, house rent allowance, and all other allowances.

Pay Commissions

Wages and allowances of Central and State government employees are determined through the pay commissions appointed by the appropriate government. So far the Central Government has appointed five pay commissions. The disputes arising out of pay commission awards and their implementation are decided by commissions of inquiry, adjudication machinery and the joint consultative machinery. Where differentials perform important economic functions like labour productivity, attracting the people to different jobs. Since most of the workers are mobile with a view to maximizing their earnings, wage differentials reflect the variations in productivity, efficiency of management, maximum utilization of human force, etc. Attracting efficient workers, maximization of employee's commitment, and development of skills. Knowledge, utilization of human resources, maximization of productivity can be fulfilled through wage differentials as the latter determines the direct allocation of manpower among different units, occupations and regions so that the overall production can be maximized. Thus, wage differentials provide an incentive for better allocation of human force – labour mobility among different regions and the like. Wage differentials play a pivotal role in a planned economy in the regulation of wages and development of national wage policy by allocating the skilled human force on priority basis. Development of new skills, knowledge, etc. is an essential parts of human resource development. Shortage of technical and skilled personnel is not only a problem for industries but it



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creates bottlenecks in the attainment of planned goals. Thus, wage differentials, to a certain extent, are desirable from the viewpoint of national interest. As such, they probably become an essential part of the national wage policy. Complete uniform national wage policy is impracticable and undesirable.

2.3 Wage and Salary Surveys

The wage and salary survey is a survey of the wages paid by employers in an organization's relevant labor market--local, regional, or national, depending on the job. The labor market is frequently defined as that area from which employers obtain certain types of workers. The labor market for office personnel would be local, whereas the labor market for engineers would be national. It is the wage and salary survey that permits an organization to maintain external equity, that is, to pay its employees' wages equivalent to the wages similar employees earn in other establishments. Although surveys are primarily conducted to gather competitive wage data, they can also collect information on employee benefits or organizational pay practices (e.g., overtime rates or shift differentials).

Collecting Survey Data

While many organizations conduct their own wage and salary surveys, a variety of "preconducted" pay surveys are available to satisfy the requirements of most public and not-for-profit or private employers. The Bureau of Labor Statistics (BLS) is the major publisher of wage and salary data, putting out three major surveys: area wage surveys, industry wage surveys, and the National Survey of Professional, Administrative, Technical, and Clerical Pay (PATC). The BLS also publishes the Employee Benefits Survey and the Employment Cost Index (ECI), which reports changes in employee compensation costs. Employers use the ECI as a cross-check on other compensation surveys and to track geographical differentials for various nonexempt jobs.

Employer-Initiated Surveys

Employers wishing to conduct their own wage and salary survey must first select the jobs to be used in the survey and identify the organizations with whom they actually compete for employees. Since it is not feasible to survey all the jobs in an organization, normally only key jobs are used. The survey of key jobs will usually be sent to ten or fifteen organizations that represent a valid sample of other employers likely to compete for the employees of the surveying organization. A diversity of organizations should be selected--large and small, public and private, new and established, and union and nonunion--since each classification of employer is likely to pay different wage rates for surveyed jobs. In addition, those conducting surveys must state if the wage data are needed for new hires or for senior employees. Precisely defining the compensation data needed will greatly increase the accuracy of the information received and the number of purposes for which it can be used. Once the survey data are tabulated, the compensation structure can be completed

The Wage Curve

The relationship between the relative worth of jobs and their wage rates can be represented by means of a wage curve. This curve may indicate the rates currently paid for jobs within an organization, the new rates resulting from job evaluation, or the rates for similar jobs currently being paid by other organizations within the labor market. A curve may be constructed graphically by preparing a scatter gram consisting of a series of dots that represent the current wage rates. As shown below, a freehand curve is then drawn through the cluster of dots in such a manner as to leave approximately an equal number of dots above and below the curve. The wage curve can be relatively straight or curved. This curve can then be used to determine the relationship between the value of a job and its wage rate at any given point on the line.

Pay Grades

From an administrative standpoint, it is generally preferable to group jobs into pay grades and to pay all jobs within a particular grade the same rate or rate range. When the classification system of job evaluation is used, jobs are grouped into grades as part of the evaluation process. When the point and factor comparison systems are used, however, pay grades must be established at selected intervals that represent either the point or the evaluated monetary value of these jobs. The graph below illustrates a series of pay grades designated along the horizontal axis at fifty-point intervals. The grades within a



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wage structure may vary in number. The number is determined by such factors as the slope of the wage curve, the number and distribution of the jobs within the structure, and the organization's wage administration and promotion policies. The number utilized should be sufficient to permit difficulty levels to be distinguished, but not so great as to make the distinction between two adjoining grades insignificant.

Rate Ranges

Although a single rate may be created for each pay grade, it is more common to provide a range of rates for each pay grade. The rate ranges may be the same for each grade or proportionately greater for each successive grade, as shown below. Rate ranges constructed on the latter basis provide a greater incentive for employees to accept a promotion to a job in a higher grade. Rate ranges generally are divided into a series of steps that permit employees to receive increases up to the maximum rate for the range on the basis of merit or seniority or a combination of the two. Most salary structures provide for the ranges of adjoining pay grades to overlap. The purpose of the overlap is to permit an employee with experience to earn as much as or more than a person with less experience in the next-higher job classification.

Conclusion

The importance of a pay system to an event of major importance to employees and its effects upon them cannot be ignored. It is a valid system if it results in a structure acceptable to both employee and employer. In general, structures that are internally and externally consistent have the greatest chances of affecting overall satisfaction. Under reward, Over-reward and inconsistency of reward not only tend to lead to lower satisfaction but encourage behavior that often proves dysfunctional to organizational objectives. A sound, systematic, consistent system of compensation determination will do much to promote equity and satisfaction, provided that such a system is understood and accepted by most employees. A sound wage policy is to adopt a job evaluation programme in order to establish fair differentials in wages based upon differences in job contents. The study on the Wage and Salary Administration was undertaken with the objective of getting an insight into the compensation policies and practices in an organization. The present study focuses on understanding how the pay rates are established, the procedure involved in this. The study aims to find out the impact of the compensation on the employee productivity and the employee perception and satisfaction levels towards the compensation. The study is done at Hyderabad with the employees working in IT companies as the respondents of the study. The data collected from the primary source and the secondary sources was analyzed using appropriate research tools like graphs, tables etc. From the study, it was found that the employees are satisfied with the compensation and the salary administration policy and they feel that their compensation is worth the value of their position. And the employees agree that the compensation policy in their organization helps employees and their families achieve improved quality of life and financial security. It was also found the there is significant association between the compensation and the employee retention and the productivity. The management should therefore consider these factors seriously in the administration of the compensation policy. Further, the organization should take great care of satisfying the employees in terms of their compensation by their feedback.

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