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# A STUDY ON COMPENSATION MANAGEMENT WITH SPECIAL REFERENCE TO AVS CONSTRUCTIONS PRIVATE LIMITED AT HOSUR

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### ABSTRACT:

This study explores the compensation management practices at AVS Constructions, a prominent player in the construction industry based in Tamil Nadu, India. Recognizing the critical role of effective compensation strategies in attracting, retaining, and motivating employees, the research aims to assess the current compensation framework of AVS Constructions and its impact on employee satisfaction and organizational performance. The research objectives include: (1) evaluating the fairness and competitiveness of the existing compensation structure; (2) analyzing employee perceptions and satisfaction levels regarding their compensation; identifying gaps and areas for improvement in the current compensation practices; and (4) providing strategic recommendations to enhance the overall compensation management system.

**Key words:** Evaluating, Analysing, Compensation, Job security, Job feeling, factors of Job feeling, and Supervision

### INTRODUCTION

Employee turnover is an important issue that possesses a significant challenge for organizations. Since human capital is central to an organizations performance, workforce attrition can have a profound impact on an organization's performance, growth and general business outcomes. Human resource is considered the centre of all development processes of economy. However, today's competitive business scenario is deteriorating social conditions of human resources, hence causing employee turnover. Professional employees' turnover is an important and pervasive feature of the labour market.

### RESEARCH BACKGROUND

AVS Constructions (A part of AVS Group) has been started in 1995 with a main focus in the construction sector, with a to compliment the great economic boom of Tamil Nadu & Karnataka region, by creating a professional organization capable of executing all sorts of infrastructure, industrial including STP/ETP, commercial and residential projects.

Since the establishment of AVS Group, we are aware that diversity is the key success factor for sustainable growth; we have adopted the latest technologies and built a platform of industries, transport and heavy lifting entities to support our growth. And most importantly we focus on recruitment and training to observe and create qualified personnel. After 20 years of success with remarkable milestones, we are committed to our vision to be leaders in our operations, and to provide innovative technologies.

### IDENTIFIED PROBLEM

**Pay Inequity & Lack of Transparency** Employees perceive unfair pay disparities between roles, genders, or experience levels. Absence of clear salary bands or structured compensation policies leads to dissatisfaction.

**Regulatory & Compliance Challenges** Frequent changes in labor laws (minimum wage, overtime rules) complicate payroll management. Non-compliance risks due to outdated compensation structures.

**Employee Dissatisfaction & Low Engagement** Surveys indicate low morale due to stagnant wages despite rising living costs.

Compensation does not reflect inflation or market adjustments..

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## OBJECTIVES OF THE STUDY

**Attracting and Recruiting Talent:** Offering competitive compensation packages is vital to draw skilled candidates, ensuring the organization remains appealing in the job market.

**Retaining Employees:** Fair and consistent compensation helps in retaining top performers, reducing turnover rates and associated costs.

**Ensuring Pay Equity and Fairness:** Establishing equitable pay structures prevents disparities, promoting a sense of justice and inclusivity among employees.

**Motivating Performance:** Incentive-based compensation, such as bonuses and commissions, drives employees to achieve and exceed performance targets.

**Compliance with Legal Standards:** Adhering to labor laws and regulations ensures the organization avoids legal pitfalls and maintains its reputation.

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## REVIEW OF LITERATURE

- Pearce (2004) Compensation implies having a compensation structure in which the employees who perform better are paid more than the average performing employees.
  - Armstrong (2005) 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.
  - Anyebe (2006) The task in compensation administration is to develop policies and the terms of attracting, satisfying, retaining and perhaps motivating employees.
  - Anambra State Civil Service (2007) 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.<sup>15</sup>
  - Robert and Angelo (2008) 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 1999 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.
  - Nweke (2009) Successive constitutional reviews and Civil Service reforms have catalyzed the evolution of the civil service as an institution for spearheading the rapid transformation of the state and ensuring continuity of administration.
  - Armstrong (2010) 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.
  - Hewitt (2011) 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.
  - 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;
  - Armstrong (2013) 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.
  - Bob 2001; Brown 2003; Anyebe 2003 states compensation management as being based on a well articulated philosophy- a set of beliefs and guiding principles that are consistent with the values of the organization which recognizes the fact that if HRM is about investing in human capital.
  - Bob (2001) 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.
  - Anyebe (2002) 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.
  - Armstrong (2003) 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.
  - Nweke (2009) Successive constitutional reviews and Civil Service reforms have catalyzed the evolution of the civil service as an institution for spearheading the rapid transformation of the state and ensuring continuity of administration.
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## RESEARCH GAP

**Research Practice Disparity:** A significant disconnect exists between academic research and practical implementation in compensation management. Despite extensive studies, many organizations struggle to apply research findings effectively, leading to a gap between theory and practice. **Impact of Compensation Gaps on Organizational Performance:** The relationship between internal compensation disparities, such as those within top management

teams, and overall corporate performance is complex and not fully understood. Further research is needed to elucidate how these gaps influence organizational outcomes.

**Executive Compensation Disparities:** The effects of executive compensation gaps, both internally among executives and externally between executives and employees, on company performance and employee morale require deeper investigation. Understanding these dynamics is crucial for developing equitable compensation. Armstrong (2010) 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.

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## RESEARCH METHODOLOGY

Research methodology is the main aspect of research studies. The methodology follow by research is detailed here. Descriptive research design is a research method aimed. A research refers to a process of detail collection of data, analysing of critical information obtained, in accordance with methodologies proposed by the different professional fields and educational institutions. To fulfil any task, it is necessary to follow a systematic method. Research

## LIMITATION OF THE STUDY

The study was fined confined only to non-Executives. The study has to be completed within a stipulated time period and hence time was a major constraint.

Reluctance of concerned person to spend enough time for answering the questions was considered to be another major can strait.

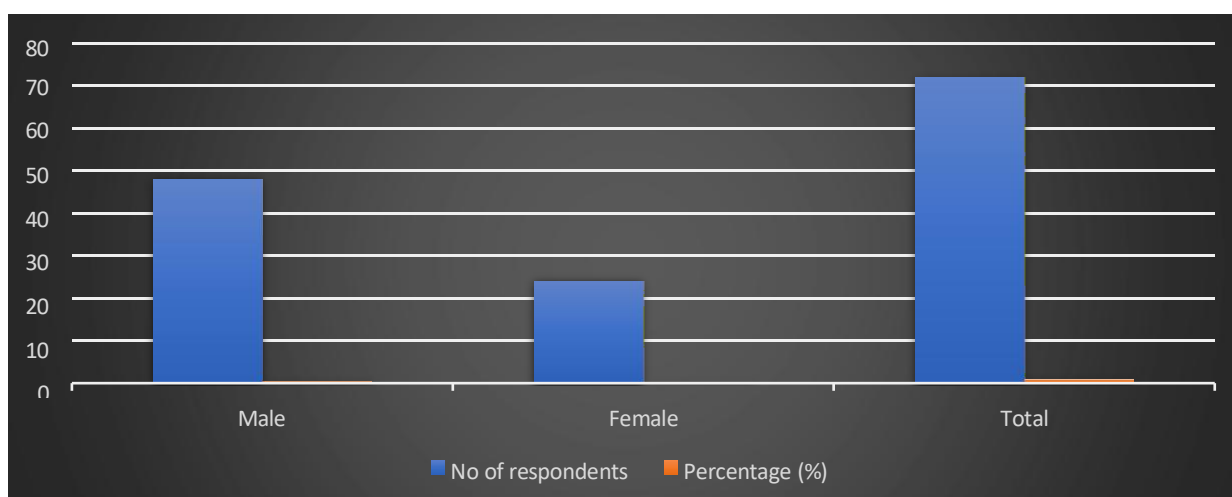
The sample size is restricted date time constrains. Due to prejudice, respondents might have given false information which learns to biased conclusion.

## DATA ANALYSIS AND INTERPRETATION

TABLE NO :1 GENDER OF RESPONDENTS

Gender	No of respondents	Percentage (%)
Male	48	65.7%
Female	24	34.3%
Total	72	100%

## CHART NO:1 GENDER OF RESPONDENTS

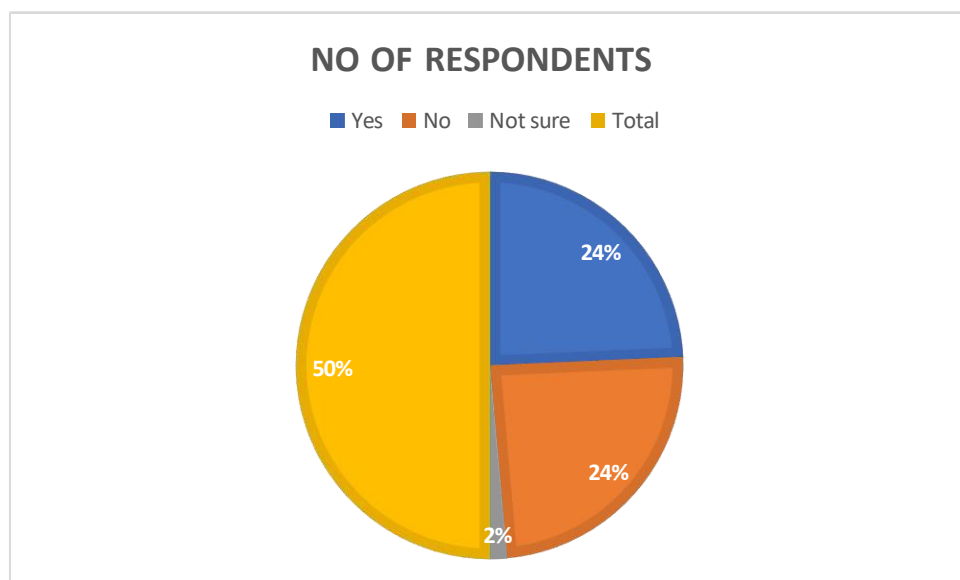


**INTERPRETATION:**

The survey included a total of 72 respondents, with a noticeable gender disparity. Male participants accounted for 65.7% (48 individuals), while female participants represented 34.3% (24 individuals). This indicates that males were nearly twice as likely to respond compared to females. The reasons for this imbalance could include sampling bias, the survey's target audience, or participation trends in the studied demographic.

**TABLENO:2****SALARY IS COMPETITIVE COMPARED TO INDUSTRY STANDARDS**

Particulars	No of respondents	Percentage
Yes	35	45.5%
No	35	45.5%
Not sure	2	10.0%
Total	72	100%

**CHART NO:4.1.7****SALARY IS COMPETITIVE COMPARED TO INDUSTRY STANDARDS****INTERPRETATION:**

The survey data indicates an equal division among respondents regarding the usage of ChatGPT: 35 individuals (45.5%) reported using it, 35 (45.5%) reported not using it, and 2 (10.0%) were uncertain. This balance suggests a polarized perspective on ChatGPT adoption within the surveyed group.

**SUMMARY OF FINDINGS**

- **Pay Structure and Equity:** Most organizations have a structured pay system, but issues of internal and external equity still exist. Employees often perceive disparities in pay, especially between departments or job levels.
- **Performance-Based Compensation:** Performance-based incentives are widely used but not always aligned effectively with employee roles or measurable outcomes. Clearer performance metrics are needed.
- **Benefits and Perquisites:** Non-monetary benefits like health insurance, retirement plans, and flexible work hours significantly contribute to job satisfaction and retention.
- **Employee Satisfaction:** A strong correlation exists between fair compensation practices and employee motivation, satisfaction, and retention.

- **Market Competitiveness:** Many organizations benchmark their compensation packages against industry standards, but frequent updates are required to stay competitive in a dynamic labor market.
- **Communication and Transparency:** A lack of transparency in how compensation is determined leads to distrust and demotivation. Employees prefer open discussions about pay policies.

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## SUGGESTION

### **Implement Performance-Based Incentives**

Performance-based compensation can drive productivity and job satisfaction. Studies have shown that when employees see a direct link between their efforts and rewards, engagement levels rise.

### **Regularly Benchmark Compensation Packages**

Conduct periodic salary benchmarking against industry standards to ensure competitive compensation. Regular benchmarking helps in attracting and retaining top talent by ensuring that compensation packages are in line with or exceed industry averages.

### **Offer Project-Based Compensation for Key Roles**

For roles like project managers and estimators, consider project-based compensation structures that reward successful project completion and client satisfaction. Such structures incentivize timely and quality project delivery, fostering a sense of ownership among key personnel.

### **Enhance Employee Benefits and Health Programs**

medical check-ups, and wellness programs to support employee well-being.

A robust benefits package contributes to higher employee satisfaction and reduces turnover rates.

### **Align Compensation with Organizational Goals**

Ensure that compensation strategies are aligned with the company's long-term objectives, promoting behaviors that drive organizational success.

### **Introduce Transparent Compensation Policies**

Develop clear and transparent compensation policies that are communicated effectively to all employees. Transparency builds trust and helps employees understand how their compensation is determined, leading to increased satisfaction.

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## CONCLUSION

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**Employee Satisfaction:** A strong correlation exists between fair compensation practices and employee motivation, satisfaction, and retention.

**Market Competitiveness:** Many organizations benchmark their compensation packages against industry standards, but frequent updates are required to stay competitive in a dynamic labor market.

**Communication and Transparency:** A lack of transparency in how compensation is determined leads to distrust and demotivation. Employees prefer open discussions about pay policies.

**Legal Compliance:** Organizations are mostly compliant with labor laws, but there is limited awareness among employees about their compensation rights and entitlements.

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## DIRECTIONS FOR FUTURE RESEARCH

### **Integration of Technology and Data Analytics**

Explore how advanced technologies, such as artificial intelligence and data analytics, can be utilized to develop dynamic compensation models that respond to real-time project variables and workforce performance metrics.

### **Impact of Organizational Culture on Compensation Strategies**

Investigate how organizational culture influences employee perceptions of fairness and motivation, informing the design of compensation systems that align with both company values and employee expectations.

### **Effects of Compensation Transparency**

Study the relationship between transparent compensation practices and employee trust, engagement, and organizational commitment, providing insights into workforce stability and performance.

### **Diversity and Inclusion in Compensation Practices**

Examine how compensation structures affect different demographic groups, focusing on addressing gender pay gaps and ensuring equity in pay structures to promote inclusivity.

### **Adaptation to Non-Traditional Work Arrangements**

Research the implications of remote and flexible working arrangements on compensation management in construction, helping firms adapt to modern workforce trends.

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