

# Fair Compensation is a pivotal factor for better qualitative work life in Steel Industry

Srinivas Subbarao Pasumarti, Pentapati Tirumala

**Abstract:** Employee of any organization can be motivated with his compensation which leads to increase of organizational effectiveness. In steel industry more than 80 per cent of employees working in production processing operations related to turn iron ore into finished products. Organization can manage its talent by motivating the employee in several ways. Among them fair compensation plays pivotal role to better quality of work life. This factor varies according to nature of organization. This paper studies how quality of work life influences with variations regarding to fair compensation in public sector organisation (RINL) and private sector organization (Essar steels) in Visakhapatnam.

**Keywords:** conceptualized, pivotal, wage legislations

## I. INTRODUCTION:

Quality of work life may be conceptualized as a sub set of the quality of life which is all inclusive notion of life and living conditions. The term quality of life tends to cover a variety of areas, such as physical, mental, psychological, social, spiritual well being, personal functioning and general limitations. Globalization may accelerate the process of achieving better quality of life within the country first and then winning the foreign markets for the India products and services overseas.

Dubey<sup>1</sup> defined QWL as “the degree of excellence of one’s life which contributes to the individual and benefits the society at large.”

Fair compensation is one of the factors of motivation. Any organization can attract and retain talented employees by paying fair compensation. This compensation not only influences productivity and profitability, but also success of the organization. Money received in performance of work plus many kinds of services and benefits that organizations provide to their employees is known as compensation which is classified into primary and supplementary. Basic pay like wages and salaries comes under primary compensations and incentives, variable payments covered under supplementary compensation.

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**Srinivas Subbarao Pasumarti**, Professor & Dean, Faculty of Commerce & Management Studies Sri Sri University, Cuttack, Odisha

**Dr. Pentapati Tirumala**, Associate professor in Management, Department of Sciences & Humanities Lendi Institute of Engineering & Technology Vizianagaram Dist,A.P.,India

<sup>1</sup> Dubey B.L. et al., (1988), “Construction and Standardization of Quality of Life Scale for use with Industrial Workers in India”, The Creative Psychologist, Vol.1; No.1.

## II. SIGNIFICANCE OF QUALITY OF WORK LIFE:

India is rich in population i.e., rich in human resources. According to recent developments in industrial structure people are realized apart from finance and machines, workforce also an equally significant aspect in the survival of an organization. Quality of work life involves acquiring, training, developing, motivating and appraising for the best performance of employees as per organizational objectives. Apart from these fair compensation is the pivotal factor which influences directly and indirectly the behaviour of employees in several aspects. An employer can assume high returns based on compensation levels and employee shown capability to reach organizational objectives in successive manner.

Proper maintenance of quality of work life has great relevance which may help understand the overall performance in any industry. In steel industry productivity is compulsory based on the ability of its employees only. So there is high scope for more number of employees. Quality of work life can justify in right manner in steel Industry. For that here researcher selected steel industries for study viz., RINL in public sector and Essar steels in private sector. Among classical and contemporary dimensions of the study fair compensation is the prime factor which directly and indirectly influences the behaviour of employees.

## III. FAIR COMPENSATION:

Fair compensation for work is an integral component of “decent work” as defined by the ILO. In India also various legislations influences the structure, computation and payment of compensation (wages). Generally, the non managerial level of employees and a section of workers in the informal sector of economy are covered by wage legislations. The important wage-related legislations are the Minimum wages Act of 1948, the payment of wages Act of 1936, and the Equal Remuneration Act of 1976. Separate legislations have been enacted to cover bonus payment, retirement benefits, and social security benefits to employees in the formal sector. Employee compensation refers to all forms of pay going to employees and arising from their employees. It has two main components, direct financial payment (wages, salaries, incentives, commissions, and bonuses) and indirect financial payments (Financial benefits like employer paid insurance and vacations).

## IV. STEEL INDUSTRIES-RINL & ESSAR STEELS:

Visakhapatnam Steel Plant is one of the most modern steel plants in the country.

With a view to give impetus to Industrial growth and to meet the inspirations of the people from South India, Government of India established Integrated Steel Plants in Public Sector at Visakhapatnam (AP). The plant capacity was limited to 3.0 Million Tonnes of liquid steel per annum. All the units were constructed and commissioned by July 1992 at a cost of Rs. 8529 crores. In 2011-12 sales of RINL grew by 46% from Rs 368crs to Rs 538 crs. RINL Exports were 422 crores and having more than 30 awards. Human resource initiatives at RINL clearly linked to the corporate strategy of the organization. RINL has introduced multi skilling concept since inception and the employees are trained as per this concept.

Essar Steel is integrated flat carbon steel manufacturer – from iron ore to ready-to-market products – with a current capacity of 14 million tons per annum (MTPA). Essar products find wide acceptance in highly discerning consumer sectors such as automotive, white goods, construction, engineering and shipbuilding. Human resources development at Essar is customized, flexible and well planned. Every Essar employee is meticulously selected and given the freedom to be innovative, within a work culture that is non-bureaucratic and result-oriented. Essar always tries to work with employees to develop personalized and flexible individual plans for career growth, retention and compensation within a carefully structured framework.

## V. OBJECTIVES OF THE STUDY:

- To make comparative analysis of the opinions of the respondents on fair compensation in public sector organization (RINL) and private sector organization (Essar steels)
- To study the influence of quality of work life with the factors of fair compensation
- To study the fair compensation as a parameter of quality of work life.

## VI. METHODOLOGY:

The study concentrates on attitudes and perceptions of employees with regarding to fair compensation in steel industry. The researcher has collected the opinions on different parameters have been collected from selected employees in steel organizations. Out of the ten parameters of the study fair compensation is one of the important parameter. The researcher collected the data from various departments in Rashtriya Ispat Nigam Limited and Essar steels, Visakhapatnam Dt., Andhra Pradesh. The sample respondents constituted the main source of information which is collected by administering a structured questionnaire. The secondary data has been collected from journals, records, management reports and statements.

## VII. TECHNIQUES FOR ANALYSIS:

One comprehensive questionnaire was designed for the purpose of the study, which is an important source of data collection. The data collected from respondents to all the questions has been entered into the computer using (SPSS/statistical packages). The primary data was tabulated by using averages, percentages, standard deviation, Mean etc., Analysis has been taken into account the statistical interpretation of the findings from the survey. Employees'

preferences are ascertained on a five point scale, whereas each preference is assigned weights at the rate of one to five respectively.

The reliability of the schedule has been established through test-retest method. Cronbach's alpha is a measure of internal consistency that is, how closely related a set of items as a group. Cronbach's alpha can be written as a function of the number of test items and the average inter-correlation among the items.

$$\alpha = \frac{N \cdot \bar{c}}{\bar{v} + (N-1) \cdot \bar{c}}$$

Here N is equal to the number of items, c-bar is the average inter-item covariance among the items and v-bar equals the average variance. The alpha coefficient for elements of fair compensation five elements indicates 0.659 for total respondents 'n' indicates with 610. That clarifies the elements have relatively internal consistency among them and it is acceptable for social science research.

Normal test (Z-test) is conducted to establish the mean significant difference between the two organizations for each and every statement related to fair compensation. Further, these tests incorporate individual value plots, line graphs scatter plots and scree plot to get clear representation of all the dimensions associated to quality of work life for both organizations.

$$Z = \frac{\bar{x}_1 - \bar{x}_2}{\sqrt{\frac{r_1^2}{n_1} + \frac{r_2^2}{n_2}}}$$

- $P = [Z \geq Z] = P - P [Z \leq Z]$

These are used to find that 'whether respondents are significant about fair compensation in RINL and Essar steels. Researcher also shown it in a graphical mode.

## VIII. REVIEW OF LITERATURE:

Taylor<sup>2</sup> Suggested Quality of working life as a holistic approach that includes; basic extrinsic job factors of wages, hours and working conditions, and the intrinsic job notions of the nature of the work itself. Taylor concluded that Quality of working life policies may vary as per the size of organization and employee group.

Reports related to Mirvis and Lawler<sup>3</sup> and Baba and Jamal<sup>4</sup> has suggested a list of the determinants of quality of working life are satisfaction with wages, hours and working conditions, safe work environment, work role conflict, job stress, organizational commitment and turnover intentions, equitable wages, equal employment opportunities and opportunities for advancement.

2 Taylor J C in Cooper, CL and Mumford, E (1979) The quality of working life in Western and Eastern Europe. ABP

3 Mirvis, P.H. and Lawler, E.E. (1984) Accounting for the Quality of Work Life. Journal of Occupational Behavior. 5. 197-212.

4 Baba, VV and Jamal, M (1991) Routinisation of job context and job content as related to employee's quality of working life: a study of psychiatric nurses. Journal of organizational behavior. 12. 379-386.



Subrata Ghosh<sup>5</sup> studied the Quality of Work Life in two organizations - a private sector manufacturing unit and a public sector bank. On the basis of measure of QWL developed by him, he found that the level of the Quality of Work Life in an organization does not depend on the ownership. According to him the quality of work life in private sector organization is better than the QWL in public sector organization.

A study by “Orofits and losses from changes in fair value, executive cash compensation and managerial power: Evidence from A-share listed companies” in China, by Ruiqing Shao<sup>6</sup> and Chunhua Chen, Shanghai Lixin University of commerce, China gives emphasis to the importance of compensation. The study exhibits that compensation contracts are effective in solving the agency problem between stockholders and managers. Executive compensation is naturally related to firm performance.

The study of Ms. Parul<sup>7</sup> Sharma and Dr. Meenakshi Gupta, Shri Mata Vaishno Devi University mentioned in their paper that “In BSNL the remuneration of the absorbed officers of the company is governed by the guidelines of Department of Public enterprises, GOI. The pay scales of officers are of Industrial DA pattern”.

### **1.9 Fair Compensation as a parameter of quality of work life in RINL:**

Fair compensation motivates an employee and leads to retain talented persons with the organization. Employees' compensation influences not only productivity and profitability of the company, but also growth of the organization. Five statements are included in measuring fair compensation like proportionate remuneration, company pay scale, House Rent Allowance, conveyance and transport allowance, easy to understand incentive plan etc., Table 1.1 showing the opinions of respondents of RINL on these five statements

**Table 1.1 showing respondent's opinions on Fair Compensation in RINL-Visakhapatnam**

Sl. No.	Statements related to fair compensation	SA -2	A -1	N 0	D (-1)	SD (-2)
1	My company remunerates proportionate to my work and abilities	112 -31.11	119 -33.06	97 -26.94	18 -5	14 -3.89
2	My company pay scale is better than other government organizations	120 -33.36	136 -37.77	78 -21.66	14 -3.88	12 -3.33
3	I am satisfied with present house rent allowance provided by company	140 -38.88	115 -31.94	64 -17.8	21 -5.83	20 -5.55

<sup>5</sup> Ghosh.Subrata, (1992) “Quality of working life in Two Indian Organizations: Implications of case studies”, Decision; vol.19 no.2 April-June 1992; P.89-99.

<sup>6</sup> Ruiqing Shao and Chunhua Chen, Shanghai Lixin University of commerce, China, “Orofits and losses from changes in fair value, executive cash compensation and managerial power: Evidence from A-share listed companies in China”, China Journal of Accounting Research, Volume 5, Issue 4, December 2012, p.no.269.

<sup>7</sup> Ms.Parul Sharma and Dr.Meenakshi Gupta, “Factor credentials boosting quality of work life of BSNL employees in Jammu region”, APJRB,ISSN 2229-4104, Volume 2, Issue 1-January 11.

4	My company provides sufficient conveyance and transport allowance	90 -25	167 -46.39	65 -18.06	15 -4.16	23 -6.39
5	Incentive plan is simple to understand	145 -40.27	120 -33.33	70 -19.44	15 -4.19	10 -2.77

SA= *strongly agree* A= *Agree* N= *neither agree nor disagree*  
D= *Disagree* SD= *strongly disagree*

### **1.9.1 Analysis on the opinions of respondents in RINL:**

The above table 1.1 shows the opinions of respondents on compensation in RINL, Visakhapatnam district. For reasonable standard of living there should be sufficient wage/salary. 64 per cent of respondents said about company that ‘their company had fixed and paying remuneration according to the work and ability’. But this statement was disagreed by more than nine per cent and the rest remained neutral. From the foregoing analysis it is clear that a majority of the employees in RINL are receiving remuneration according to their ability. One of the respondents in Rolling Mills reacted “recently management has taken decisions for increasing of work levels, but not incremented salary levels.”

About the factor “Pay scale is better than other government organizations”, this is accepted by 71 per cent (33 per cent strongly agreed, more than 38 per cent agreed). 7 per cent of respondents disagreed and 22 per cent of respondents remained neutral which tells Pay scale is better than other government organizations.

Now a day's housing is a very big problem for those who are residing in cities. The organization cannot provide housing accommodation to all its employees. Regarding “satisfaction with the present house rent allowance provided by company, 71 per cent of respondents found satisfied with the amount of house rent allowance provided by the company whereas 11 per cent expressed their disagreement with this issue. About 18 per cent of respondents remained neutral. An employee of the Administration Department conveyed “even though the organization is providing sufficient salary and other monetary benefits, there is no implementation of hierarchical command”.

Related to the statement “providing sufficient conveyance and transport allowance”, 71 per cent agreed and 11 per cent disagreed. More than 18 per cent of respondents neither agreed nor disagreed. It can be concluded that if the organization had provided little more benefit as conveyance allowance, it should be better to the organization. One of the Finance managers said “Even though the Company provides transport allowance which is not at all satisfactory for the distance travelled by employees to reach the organization”

“Incentive plan is simple to understand”, this statement is strongly agreed by 40 per cent and agreed by 33 per cent. More than 7 per cent disagreed and 19 per cent remained neutral with this. A supervisor in Roll shop & Repair shop said that “some of the employees are not clear the way the incentives are calculated”. Table1.2 describes the opinions of respondents of Essar steels on fair compensation.



**Table 1.2 showing respondent's opinions on Fair Compensation in  
ESSAR STEELS- Visakhapatnam**

Sl. NO.	Statements related to fair compensation	SA (2)	A (1)	N (0)	D (-1)	SD (-2)
1.	May company remunerates proportionate to my work and abilities	173 (69.20)	52 (20.80)	8 (3.20)	15 (6.00)	2 (0.80)
2.	My company pay scale is better than other government organizations	69 (27.60)	141 (56.40)	11 (4.40)	20 (8.00)	9 (3.60)
3.	I am satisfied with present house rent allowance provided by company	128 (51.20)	89 (35.60)	12 (4.80)	8 (3.20)	13 (5.20)
4.	My company provides sufficient conveyance and transport allowance	192 (76.80)	37 (14.80)	6 (2.40)	12 (4.80)	3 (1.20)
5.	Incentive plan is simple to understand	8 (3.20)	7 (2.80)	29 (11.60)	79 (31.60)	127 (50.80)

SA= strongly agree A=Agree N=Neither agree nor disagree D=Disagree SD=Strongly disagree

### **1.9.2. Analysis on the opinions of respondents in Essar steels:**

Based on the above table 6.12, the researcher collected the opinions of the respondents on fair compensation in Essar steels, Visakhapatnam district. The table indicates that maximum number of respondents i.e., 90 per cent said that 'the company fixed the remuneration according to the work and ability'. Only three per cent of respondents neither agreed nor disagreed. Seven per cent of respondents disagreed. It is opined by one of the respondent in Human Resource Department "the organization is paying the compensation according to the work assigned and performance of the candidate".

Pay is certainly one of the main springs of motivation in our society. When this factor is applied and compared with the other organizations, 84 per cent of respondents agreed, 4 per cent of respondents are neutral and only 12 per cent of respondents disagreed. One of senior member in Administration department of organization expressed that 'pay is better than other organizations but in terms of work levels also it render maximum work from employees'.

House rent allowance to the employees of the organization is one of the financial rewards given by the concern. Regarding this factor opinions are collected, 87 per cent of the respondents are agreed, 5 per cent of respondents are neutral. More than 8 per cent of respondents disagreed. A respondent in Procurement department said, "even though the organization is paying us HRA, that amount is not at all sufficient to meet the rent burden of our employees, because Visakhapatnam is a corporation city."

For getting desired behaviour from the employee, the organization has to provide various facilities. Among them travelling or conveyance allowance is one, when opinions were collected on this, among 250 respondents in Essar steels more than 92 per cent i.e., maximum number of respondents agreed on this issue. Negligible percent i.e., only 2 per cent of respondents remained neutral. Six per cent of respondents disagreed.

'Incentive plan is simple to understand' this was agreed by six per cent of respondents and more than 82 per cent expressed their disagreement. 12 per cent remained neutral on this. Table 1.3 exhibits comparative analysis of opinions of respondents in both organizations.

**Table 1.3 presents comparative analysis of the opinions of respondents of RINL and Essar steels related to Fair Compensation**

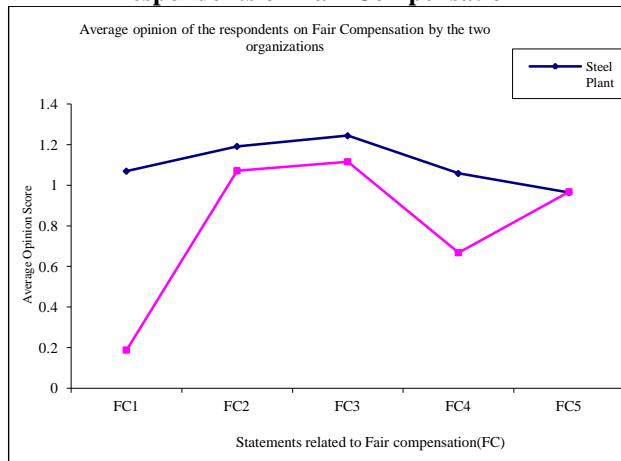
Sl.No	Statements related to fair compensation	Steel Plant	Essar steels	Z-value	P-value
1.	My company remunerates proportionate to my work and my abilities.	1.0694	0.1880	10.375	0.0000
2.	My company pay scale is better than other Government organizations.			1.867	
		1.1917	1.0720		0.062
3.	I am satisfied with present house rent allowance provided by the company.			2.324	
		1.2444	1.1160		0.02
4.	My company provides sufficient conveyance and transport allowance			5.232	
		1.0583	0.6680		0.000
5.	Incentive plan is simple to understand.			-.055	
		0.9639	0.9680		0.956

The above table 1.3 portrays the average scores of the respondents on each and every statement related to the compensation for both public and private organizations. According to respondents' average opinion on the statements related to fair compensation, except the statement 2 (My company pay scale is better than other Governmental

organizations) and 5 (Incentive plan is simple to understand), the remaining three statements exhibited statistically significant difference between the two organizations. Further on these statements, the respondents working in Essar steels are less satisfied than the respondents working in RINL.

Whereas, the Z-test values and the corresponding P-values for the remaining statements explained that there was no statistically significant difference between the two organizations as regards to respondents' average opinion on these statements. Also it is observed from the above table that except three average scores, the remaining average scores were greater than "1" which make note that the compensation obtained by the respondents of both organization is greater than good stratum. Expect for the last statement, the average opinion score of the remaining statements for RINL were found to be greater than Essar steels. The below line graph 6.4 explains the same to hold evidence.

**Graph 1.1 presents average opinion of the respondents on Fair Compensation**

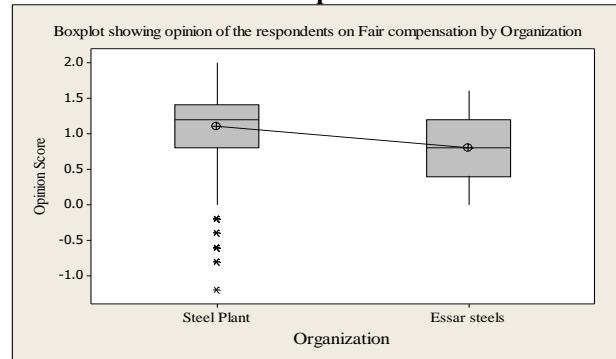


**Table 1.4 presents overall opinion difference on Fair compensation by RINL & ESSAR Steel employees**

Organization	n	Mean	S.D	Z-Value	P-value	Decision
Steel Plant	360	1.1056	.57523	6.87	0.000	S
Essar steels	250	0.802	0.506			

Based on the above table 1.4 the Z-test value 6.87 and its corresponding P-value 0.000 we can say that on an average there is a statistically significant difference between the two organizations on the dimension of "fair compensation" at 5 per cent level of significance. Further, the average mean score (0.802) of Essar steels is less than the average mean score (1.1056) of RINL, i.e., for the dimension 'fair compensation' the opinion of the employees working in Essar steels is significantly inferior to the RINL employees. The standard deviation of RINL (0.575) is greater than the Essar steels (0.506) which makes note that RINL employees' opinion is little more fluctuating than Essar steels. The same is mentioned below as a box plot 6.5.

**Graph 1.3 presents opinion of RINL and Essar steels respondents on Fair Compensation**



Graph 1.3 shows the comparison between the RINL & ESSAR steels on fair compensation. The stars indicate that in RINL five respondents had negative opinion on fair compensation. The circled plus indicates the average value, the middle line of the box designates the median values, the upper end of the line signifies the maximum values, and the lower end of the line specifies the minimum value. The circled plus linking line indicates the overall opinions difference in the opinions with fair compensation dimension.

## IX. CONCLUSION:

Based on the above analysis the respondents of RINL are expressed more positive reaction for fair compensation. It is also clear that in Essar steels employees also satisfied with monetary benefits but not with others. Finally about fair compensation there is negligible difference between these two organizations. Managements must implement proper measures by which all cadre employees can be motivated with compensation elements.

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