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COMPENSATION MANAGEMENT IN PHARMA INDUSTRY:A STUDY ON TOP FIVE ORGANIZATIONS IN TELANGANA STATE

J. Supriya[1] & Naga Raju Battu[2]

[1]Research Scholar, Department of HRM, Acharya Nagarjuna University, Guntur, Andhra Pradesh, India

[2] Associate Professor, Department of HRM, Acharya Nagarjuna University, Guntur, Andhra Pradesh, India

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ABSTRACT

This paper reviews the literature in the area of the importance of Compensation Management in Pharma Industry. The survey conducted on the employees of top five Pharma organizations in Hyderabad, Telangana State, India. In the analysis part, SPSS 17 version used to evaluate the relations among the variables. In addition, some statistical tools were applied simple frequency, percentages of demographic attributes and hypothesis testing on Salary and Additional Benefits in Compensation Management factor withT-test. The study identifies that Pharma Industry employer has to upgrade compensation packages time to time to meet the competitive market in the industry and the survival of the organization. More than half-off of the employees are not satisfied to providing 'child care benefits' and the majority of the employees are accepting that 'their salary is competitive, reasonable and is reviewed on a fair manner' in Pharma industry.

KEYWORDS: *Pharma Industry, Compensation Management, Salary, Additional Benefits*

INTRODUCTION

Compensation management is about the design implementation, maintenance, communication, and evolution of reward processes, which help an organization to improve performance and achieve their objectives compensation according to Flippo (1994:32) is the adequate and equitable remuneration of personnel of their contribution to organizational objectives.

Employees are the organization's key resource and the success or failure of organizations heart on the ability of the employers to attract, retain, and reward properly talented and competent employees. Employees' willingness to continue on the job largely depends on compensation packages of the organization [Armstrong, M, 2003]. In an attempt to ensure employees optimal performance and retention, organizations need to consider a variety of appropriate ways to reward the employees to get the desired results [Falola H. O., Ibidunni A. S, Olokundun A. M, 2014]. It has been argued that the degree to which employees are fulfilled with their job and their willingness to remain in an organization is a function of compensation packages and reward structure of the Organisation [Osibanjo A.O., Abiodun A.J., Fadugba, A.O, 2012].

SCOPE OF THE STUDY

This study is an attempt to analyze the different types of compensation policies used in **Pharma Industry** with special reference to Telangana State and their impact on the employee's motivation. The study has tried to identify the impact of bonus, basic salary, incentives, perquisites, short term and long-term incentives on the motivation and performance level of employees.

REVIEW OF LITERATURE

According to **Lin (2002)**, the factors of employee satisfaction include pay welfare and the working environment.

Chang (2005) indicated that the factors of employee satisfaction include internal marketing, gender, educational background, seniority, and compensation.

Namasivayam and Zhao (2007) however, direct compensation fully mediates the relationship between indirect compensation and performance.

Ponnu and Chuah, (2010), and Rewards include a performance reward, work reward, year-end reward, full attendance reward, proposal reward and merit reward.

NL, D.M (2012) described that pay is one of those satisfying variables which hindered reduces the dissatisfaction level of employees. If an employee is compensated according to his need, he will easily manage overload work if any emergency occurs.

Scheetz and Wall (2014) do not examine other compensation incentives and ignore the potential selection problem that arises from the board's choice to grant pay components to executives. We explicitly study trade-offs between multiple compensation incentives and attempt to model the choice to grant pay components in our empirical design.

RESEARCH PROBLEM

This study emanates from the need to effectively manage the employees both at the managerial cadre and the lower cadre of the management for an effective result through compensation management. Compensation management has been one of the major policies used in motivating employees in the private sector.

The Indian economic sector has suffered from a political role, inadequate policy and non-implementation of governmental policies as regards management of compensation.

The major problem confronting the Pharma industry in India apart from capturing individuals and businesses to subscribe to their product and services is the problem of employee's compensation and motivation.

OBJECTIVES

- To analyze the compensation management strategies, practices in the Pharma industry.
- To know whether Salary and emoluments that are sufficient to motivate employees to perform effectively.
- To know the expectations of employees on Additional Benefits provided by Company.

METHODOLOGY

The sample survey conducted on employees of Pharma sector in Hyderabad, Telangana State, and selected sample of 733 employees from the top five organizations.

A structured Questionnaire used to collect data, in that to measure the attitude of respondents used Likert five-point rating scale with strongly agree-to-strongly disagree and Highly satisfied-to-highly dissatisfied in-depth interview was conducted on some of these respondents to understand the compensation packages adopted in the company and assess the employees satisfaction on the compensation system in the Pharma industry. A non-probability convenience sampling techniques were adapted to the selected sample from the population. In the analysis part, SPSS 17 version used to understand the compensation management for this some statistical tools were applied simple frequency, percentages of demographic attributes and Chi-Square Test on demographic attributes and hypothesis testing for compensation management attributes with one-way Analysis of Variance (ANOVA) and F-test at 5% level of Significance.

ANALYSIS AND INTERPRETATION

The analysis reveals that, the socio-economic attributes and its corresponding frequencies and percentages carried out to find the correlation among the demographic attributes and then dependent variables reliability followed by socio-economic variables impact on dependent variables analysis conducted as follows.

Table 1: Socio-Economic Attributes Frequency and Percentage

Sl. No	Variable	Valid	Frequency	Percentage	Cumulative Percent
1	Marital status	Married Unmarried Total	488 245 733	66.6 33.4 100.0	66.6 100
2	Gender	Male Female Total	565 168 733	77.1 22.9 100.0	77.1 100.0
3	Educational Qualification	Up to Inter Graduate Post-graduate ProfessionalQualification Ph.D Total	116 232 257 121 7 733	15.8 31.7 35.0 16.5 1.0 100.0	15.8 47.5 82.5 99.0 100.0
4	Experience in pharma Industry	Below 2 Years 3-10 Years 10-20 Years 20-30 Years Total	316 217 110 90 733	43.1 29.6 15.0 12.3 100.0	43.1 72.7 87.7 100.0
5	Annual Salary (in Rupees) of the respondent	Below 3 lakhs 3- 6 lakhs 6- 10 lakhs Above 10 Lakhs Total	289 259 116 69 733	39.4 35.4 15.8 9.4 100.0	39.4 74.8 90.6 100.0

Inference of Above Table-1: The information in the above table 1 offers the percentages of the marital status of the employees working in the pharmaceutical industry. That is 66.6% of the employees were married in the pharma industry whereas 33.4% of the employees were unmarried. The above table 1 provides data about male and female employee percentages in the pharma industry. That is 77.1% of the employees in the pharma industry were male employees whereas only 22.9% of the employees were females. The table 1 data stretches the complete idea about the educational qualifications of the employees working in the Pharma industry. That is 35.0% of the employees were Post-graduates, 31.7% of them were graduates followed by 16.5% of them were with Professional Qualification, 15.8% of the employees having up to inter qualification and only 1% of the employees acquired Ph.D. The above table 1 data gives information about the experience of the employees working in the Pharma industry. It says that 43.1% of the employees having less than 2 years of experience, whereas 29.6% of them having 3 to 10 years of experience followed by 15.0% of them were with 10-20 years of experience and only 12.3% of the employees were with 20 to 30 years of experience in the Pharma industry. The above table 1 discloses the annual salary of the employees working in the Pharma industry. That is 39.4% of the employees were earning less than 3 lakhs followed by 35.4% of them were earning 3 to 6 lakhs annually, then 15.8% of them were earning 6 to 10 lakhs annually and only 9.4% of the employees were earning more than 10 lakhs salary annually.

CHI-SQUARE TEST FOR THE VARIABLES, EMPLOYEE EDUCATIONAL QUALIFICATION

The researcher evaluated the relationship as Employee Educational Qualification is related to the Marital Status. Employee Educational Qualification and Marital Status are two independent attributes selected to test.

Ho: There is no association between Employee Educational Qualification and Marital Status

H_1: There is an association between Employee Educational Qualification and Marital Status

Table 3 describes that P-Value (0.128) > 0.01, So Null Hypothesis has been accepted at 1% level of significance.

Table 2: Employee Educational Qualification and Marital Status – Cross tabulation

		Educational Qualification					Total
		Up to Inter	Graduate	Post-Graduate	Professional Qualification	Ph. D	
Marital Status	Married	114	145	151	73	5	488
	Unmarried	2	87	106	48	2	245
Total		**116**	**232**	**257**	**121**	**7**	**733**

Table 3: Chi-Square Test for the Variables, Employee Educational Qualification and Marital Status

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	63.375[a]	4	.128
Likelihood Ratio	87.607	4	.000
Linear-by-Linear Association	32.411	1	.000
N of Valid Cases	733		
a. 2 cells (20.0%) have expected count less than 5. The minimum expected count is 2.34.			

Therefore, there is no association between Employee Educational Qualification and Marital Status. The analyzed data from table 2 clearly shows that in all educational qualifications married employees are more in number when compare with unmarried employees.

COMPENSATION MANAGEMENT

Here the researcher find the reliability and item statistics for all the 12 selected variables then subcategorized the **Compensation Management** related 12 variables into **two factors** and discussed as mentioned;

Reliability and item statistics for all the 12 variables

SALARY / REMUNERATION RELATED ISSUES (factor-1) – 6 variables

Additional BENEFITS (factor-2) – 6 variables

Table 4: Reliability Statistics for factors -1 & 2

Cronbach's Alpha	N of Items
.694	12

The reliability value 0.694 that is close to '1' then all the selected twelve variables reliable and support to **Compensation Management** related variables.

Table 5: Item Statistics for factors-1&2

	Mean	S.D	N
My salary is commensurate to the work I do.	3.46	.837	733
My salary is above those paid by the similar company in the industry.	3.47	.973	733
My salary is enough to compensate me for my job in the company	3.18	.971	733
I received other payments apart from the salary that is paid.	2.48	1.039	733
My salary is competitive, reasonable and is reviewed in a fair manner.	3.82	1.165	733
My company paid salary and emoluments that are sufficient to motivate employees to perform effectively based on a laydown procedure.	3.57	.854	733
Medical Benefits	3.35	.805	733
Paid Leave Benefits	3.29	1.018	733
Insurance Benefits	3.72	.980	733
Car Loan / Housing Loan Benefits	2.91	.890	733
Meals / Concession Canteen Facilities	3.17	1.003	733
Child Care Benefits	2.53	.830	733

The above table **5**, reveals that almost all the variables except 4^{th} & 12^{th} variables mean values are closely 3 and above three it indicates the majority of the respondents are at agreed level / satisfied on the 10 variables out of twelve. And its standard deviation value is closely one it indicates based on their socioeconomic attributes their opinion varies on selected 733 sample size.

SALARY / REMUNERATION RELATED ISSUES (Factor-1) – 6 Variables

Here, the researcher identified the six variables under the study; these are

- My salary is commensurate to the work I do.

- My salary is above those paid by the similar company in the industry.
- My salary is enough to compensate me for my job in the company
- I received other payments apart from the salary that is paid.
- My salary is competitive, reasonable and is reviewed in a fair manner.
- My company paid salary and emoluments that are sufficient to motivate employees to perform effectively based on a laydown procedure.

T-Test for Factor-1

Here the researcher is interested to find the opinion of male and female employees' on Salary / Remuneration related variables.

Table 6: T- Test to know the Opinion of Male and Female Employees' on Salary / Remuneration Related Variables

	Sex	Mean	S. D	T-value	P-Value	S/NS
My salary is commensurate to the work I do.	Male	3.45	.849	-.533	.594	NS
	Female	3.49	.797	-.551		
My salary is above those paid by the similar company in the industry	Male	3.46	.999	-.584	.559	NS
	Female	3.51	.882	-.625		
My salary is enough to compensate me for my job in the company	Male	3.19	1.004	.607	.544	NS
	Female	3.14	.850	.665		
I received other payments apart from the salary that is paid.	Male	2.50	1.075	1.137	.256	NS
	Female	2.40	.910	1.244		
My salary is competitive, reasonable and is reviewed in a fair manner.	Male	3.78	1.192	-1.81	.070	NS
	Female	3.96	1.060	-1.93		
My company paid salary and emoluments that are sufficient to motivate employees to perform effectively based on a laydown procedure.	Male	3.57	.896	.003	.997	NS
	Female	3.57	.697	.004		

HS=Highly Significant (*at 1% Level of Significance), **S**=Significant (**at 5% Level of Significance), **NS** =Not Significant (***at 1% & 5% Significance).

Null Hypothesis H_0: There is no significant difference in the opinion of male and female on Salary / Remuneration related variables.

Alternate Hypothesis H_1: There is a significant difference in the opinion of male and female on Salary / Remuneration related variables.

Table 6 reveals that opinion of male and female on Salary / Remuneration related variables. All Salary / Remuneration related variables **P-values are > 0.05**, hence Null Hypothesis has been accepted at 1% & 5% level of significance, i.e., there is no significant difference in opinion on male and female i.e. male and female have the same opinion on the following six variables;

Additional BENEFITS (factor-2) – 6 Variables

Here, the researcher identified the six variables under the study; these are

- Medical
- Paid Leave
- Insurance
- Car Loan / Housing Loan
- Meals / Concession Canteen Facilities
- Child Care

Factor Analysis for Factor-2

Here the researcher identified most suitable independent variable sex, how the influence of male and female on the "Additional BENEFITS" factor which contains six dependent variables.

Factor Analysis: The influence of male on **"**Additional BENEFITS**"** factor

The researcher applies the identified independent variable sex and its one of the value male, now the influence of male on the "Additional BENEFITS" factor. Its KMO value evaluated as follows.

Table 7: KMO and Bartlett's Test[a]

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.538
Bartlett's Test of Sphericity	Approx. Chi-Square	252.675
	df	15
	Sig.	.000
a. Only cases for which Sex = Male are used in the analysis phase.		

Table 7 specifies that the KMO value is greater than 0.5, which necessitates factor analysis and the researcher identified latent factor as indicated. Its KMO value is 0.538 at 5% level of significance.

Table 8: Communalities[a]

	Initial	Extraction
Medical Benefits	1.000	.425
Paid Leave Benefits	1.000	.712*
Insurance Benefits	1.000	.348
Car Loan / Housing Loan Benefits	1.000	.384
Meals / Concession Canteen Facilities	1.000	.412
Child Care Benefits	1.000	.628**
Extraction Method: Principal Component Analysis.		
a. Only cases for which Sex = Male are used in the analysis phase.		

The above table 08 reveals that, sex-wise male employees in Pharma industry have given weightage to 6th then 2nd components 'Paid Leave Benefits' and 'Child Care Benefits' because of its highest extracted values 0.712 and 0.628 respectively.

The table 09, Eigen -values and Extraction sum of squared loadings and Rotation Sums of Squared Loadings of two prime components stood at 48.485% of eigen -values.

Table 9: Total Variance Explained[a]

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	1.791	29.851	29.851	1.791	29.851	29.851	1.773	29.547	29.547
2	1.118	18.634	48.485	1.118	18.634	48.485	1.136	18.938	48.485
3	.999	16.652	65.137						
4	.812	13.529	78.666						
5	.771	12.848	91.514						
6	.509	8.486	100.000						
Extraction Method: Principal Component Analysis.									
a. Only cases for which Sex = Male are used in the analysis phase.									

Table 10: Component Matrix[a,b]

	Component	
	1	2
Medical Benefits	.648	.078
Meals / Concession Canteen Facilities	.622	.158
Car Loan / Housing Loan Benefits	.620	.008
Insurance Benefits	-.531	.257
Paid Leave Benefits	.356	.765
Child Care Benefits	.438	-.660
Extraction Method: Principal Component Analysis.		
a. 2 components extracted.		
b. Only cases for which Sex = Male are used in the analysis phase.		

The table 10 depicts that the two identified components influence on the all the six variables of "Additional BENEFITS" factor, with reference to the independent variable 'sex' with reference to male employees. The highest value in each component influences the respective component.

Interpretation of Factor analysis 9.3.1.1 (i): The identified independent variable Employee sex and its one of the value male employee. Now the influence of **male employee** on the "Additional BENEFITS" factor is described as below. Out of the six variables **male employee** influences only two components with priority wise as follows.

- Paid Leave Benefits and
- Child Care Benefits

Factor Analysis: The influence of **female employees'** on "Additional BENEFITS" factor

The researcher applies the identified independent variable **employee sex** and its one of the value **female employee**, now the influence of **female employee** on the "Additional BENEFITS" factor. Its KMO value evaluated as follows.

Table 11 specifies that the KMO value is greater than 0.5, which necessitates factor analysis and the researcher identified latent factor as indicated. Its KMO value is 0.745 at 5% level of significance.

Table 11: KMO and Bartlett's Test[a]

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		**.745**
Bartlett's Test of Sphericity	Approx. Chi-Square	142.420
	df	15
	Sig.	.000
a. Only cases for which Sex = Female are used in the analysis phase.		

Table 12: Communalities[a]

	Initial	**Extraction**
Medical Benefits	1.000	.775**
Paid Leave Benefits	1.000	.657
Insurance Benefits	1.000	.718
Car Loan / Housing Loan Benefits	1.000	.753***
Meals / Concession Canteen Facilities	1.000	.559
Child Care Benefits	1.000	.879*
Extraction Method: Principal Component Analysis.		
a. Only cases for which Sex = Female are used in the analysis phase.		

The above table 12 shows that the female employee has given weightage to the 6th component as 'Child Care Benefits' because its highest extracted value is 0.879, 1st component as 'Medical Benefits' and 4th component as 'Car Loan / Housing Loan Benefits' its extracted values are 0.775 and 0.753 respectively.

Table 13: Total Variance Explained[a]

Component	**Initial Eigen Values**			**Extraction Sums of Squared Loadings**			**Rotation Sums of Squared Loadings**		
	Total	**% of Variance**	**Cumulative %**	**Total**	**% of Variance**	**Cumulative %**	**Total**	**% of Variance**	**Cumulative %**
1	1.916	31.938	31.938	1.916	31.938	31.938	1.888	31.471	31.471
2	1.361	22.689	54.627	1.361	22.689	54.627	1.346	22.439	53.910
3	1.063	17.723	72.349	1.063	17.723	72.349	1.106	18.439	72.349
4	.746	12.428	84.778						
5	.531	8.849	93.626						
6	.382	6.374	100.000						
Extraction Method: Principal Component Analysis.									
a. Only cases for which Sex = Female are used in the analysis phase.									

The table 13, Eigen values and Extraction sum of squared loadings and Rotation Sums of Squared Loadings of two prime components stood at 72.349 % of Eigen values.

The table 14 depicts that the three identified components influence on the all the six variables of "Additional BENEFITS" factor, with reference to the independent variable 'employee sex' as female. The highest value in each component influences the respective component.

Table 14: Component Matrix[a,b]

	Component		
	1	**2**	**3**
Medical Benefits	.802	.283	.225
Paid Leave Benefits	.799	.134	.025
Meals / Concession Canteen Facilities	.717	-.208	.043
Car Loan / Housing Loan Benefits	.276	-.819	-.081
Insurance Benefits	.112	.708	-.452
Child Care Benefits	-.178	.219	.894
Extraction Method: Principal Component Analysis.			
a. 3 components extracted.			
b. Only cases for which Sex = Female are used in the analysis phase.			

Interpretation of Factor analysis 9.3.1.2 (ii): The identified independent variable employee sex and its one of the value female**.** Now the influence of **female employee** on the "Additional BENEFITS" factor is described as below. Out of the six variables **female employee** influences three components with priority wise as follows,

- Child Care Benefits
- Medical Benefits and
- Car Loan / Housing Loan Benefits

From the factor analysis, it indicates who are male employee their supporting variables are different from whom female employee except 'Child Care Benefits'. Hence the Pharma sector both the male and female employee, are influenced and identified the importance of Child Care Benefits with their family care, it's really amazing.

FINDINGS

Chi-square test results as there is no association between Employee Educational Qualification and Marital Status.

Majority of the employees 63% (agree and strongly agree) are accepting that 'their salary is competitive, reasonable and is reviewed on a fair manner' in Pharma industry.

t-Test results specify that male and female have the same opinion on the Salary related six variables.

From the factor analyses, it indicates male employee prime supporting variable is same as the female employee "My Company paid salary and emoluments that are sufficient to motivate employees to perform effectively based on a laydown procedure".

More than half-off of the employees 56% (dissatisfied and highly dissatisfied) are not satisfied with providing 'child care benefits' in the Pharma industry.

From the factor analysis, it indicates who are male employee their supporting variables are different from whom female employee except 'Child Care Benefits'. Hence the Pharma sector both the male and female employee, are influenced and identified the importance of Child Care Benefits with their family care, it's really amazing.

CONCLUSIONS

Compensation packages are not static; its dynamic so time to time compensation schemes can be reviewed and implemented. And these are industry specific, but most of the incentive schemes are similar in the pharmaceutical industry.

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