

A study on Compensation Management and Employee Satisfaction

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Abstract- This paper examines the relationship between compensation management practices and employee satisfaction at Pandy Hitech Plastics Pvt. Ltd., Mettupalayam. Using a descriptive research design and a structured questionnaire administered to 100 employees across production and managerial levels, the study analyzes pay structure, incentives, non-monetary benefits, and legal compliance. Statistical tools (percentage analysis, Pearson correlation, chi-square, and multiple regression) were used to test relationships. Key findings show moderate satisfaction with base salaries and strong appreciation for non-monetary benefits (training, health insurance, leave policies). Significant dissatisfaction was found regarding overtime compensation and some incentive transparency. A positive correlation ($r \approx 0.70$) between perceived salary competitiveness and productivity motivation was observed. Recommendations include benchmarking pay, improving overtime compliance, increasing transparency in incentive allocation, and strengthening non-monetary reward programs.

Keywords- Compensation management, employee satisfaction, incentives, overtime compliance, manufacturing HRM

I. INTRODUCTION

Compensation is a strategic HRM function that directly shapes employee motivation, retention, and productivity. In labor-intensive manufacturing units, an equitable, transparent compensation system is critical to maintain performance and reduce turnover. This short paper evaluates Pandy Hitech's compensation practices and their effect on employee satisfaction.

II. OBJECTIVES

- To evaluate the effectiveness of pay structure on employee motivation.
- To assess the role of non-monetary benefits in job satisfaction and retention.
- To examine the impact of performance-linked incentives on productivity.
- To check compliance with wage and overtime regulations and its effect on trust.

III. RESEARCH METHODOLOGY

Descriptive design; primary data from 100 employees and 25-item structured questionnaire (demographics + 20 Likert items). Stratified random sampling ensured representation across roles. Analysis used percentages, Pearson correlation, chi-square, and multiple regression (SPSS).

Tools

- Percentage / frequency distribution
- Pearson correlation (salary competitiveness ↔ motivation)
- Chi-square (demographics ↔ perceptions of compliance)
- Multiple linear regression (predictors of job satisfaction)

Key Findings

- Base pay: 53% view the base salary as competitive; perceptions vary across roles.
- Non-monetary benefits:** High satisfaction with health insurance, leave policies, and training.
- Incentives: Majority feel incentives are linked to output but some report lack of transparency.
- Overtime: 68% dissatisfied with overtime compensation practices — major compliance concern.

Statistical: Strong positive correlation ($r \approx 0.70$, $p < 0.01$) between perceived salary competitiveness and motivation to improve productivity. Regression identifies non-monetary benefits as a significant predictor of job satisfaction (β significant).

IV. CONCLUSION AND SUGGESTIONS

Pandy Hitech's compensation system positively influences employee satisfaction in several areas (benefits, training), but gaps remain in overtime compensation and incentive transparency. Addressing these will likely increase trust, motivation, and retention. The company should

benchmark pay, clarify incentive criteria, and ensure strict overtime compliance to strengthen overall HR effectiveness.

V. RECOMMENDATIONS

1. Benchmark salaries against regional industry standards and adjust where gaps exist.
2. Audit overtime practices** and ensure legal compliance + timely payment.
3. 3.Make incentives transparent— publish clear performance metrics and payout rules.

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