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COMPENSATION MANAGEMENT AT GULF OIL CORPORATION LIMITED

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ABSTRACT

Compensation management is a practice of an organization which involves, giving monetary as well as non-monetary rewards to the employees, in order to compensate for the time they allocate to their job. It involves maximizing the return on human capital. In this study, we analyzed the practice of compensation management implemented by an organization. Gulf Oil Corporation Ltd. is an Energetics, Mining & Infrastructure Services, and Property Development company with a turnover of Rs.1000 crore for the financial year 2008-09. To study the compensation management system at Gulf Oil Corporation Ltd., the research was carried out at their explosives division in Hyderabad through the research methodology of interview through questionnaire.

KEYWORDS: *Compensation management, Employees, Gulf Oil Corporation Ltd.*

INTRODUCTION

Compensation is an indispensable part of human resource management which helps in inspiring the employees and enhancing organizational effectiveness. It is the payment received by an employee in return for his/her contribution to the organization. It is a systemized practice that involves balancing the work-employee relation by giving monetary and non-monetary benefits to employees. Salary is just a part of the compensation system; the employees have other psychological and self-actualization needs which are fulfilled by compensation. Compensation Management deals with designing a pay structure that will attract, motivate and retain competent employees in an organization.

Generally employees offer their services for rewards such as pay which refers to the base wages and salaries which employees normally receive. Different types of compensation such as bonuses, commissions

and profit sharing plans are incentives designed to encourage employees to produce results beyond normal expectation, Benefits such as insurance, medical, recreational, retirement, etc., constitute a more ancillary type of compensation. So, the term compensation is an extensive one including pay, incentives, and benefits offered by employers for hiring the services of employees. In addition to these, managers have to observe legal formalities that offer physical as well as financial security to the employees. All these issues play an important role in any human resource department's efforts to obtain, maintain and retain an effective workforce.

Compensation means both the Intrinsic and Extrinsic rewards employees receive for performing their jobs. Intrinsic compensation contemplates employees psychological mind sets that emerges from performing their jobs. Extrinsic compensation includes both monetary and non-monetary remuneration.

Organizational development professionals promote intrinsic compensation through effective job design whereas compensation professional are responsible for extrinsic compensation. Compensation professionals initiate monetary compensation programs to reward employees according to their job performance levels or for learning job-related knowledge or skills. Monetary Compensation represents core compensation. Non-monetary rewards include protection programs, paid time-off and services.

Significance of Compensation Management

- An absolute compensation system will have positive effect on the efficiency and results produced by employees.
- It will augment the process of job appraisal. It will also help in setting up an ideal job evaluation and the set levels would be more practical and achievable.
- The system should be simple and workable so that every employee would be able to evaluate his own compensation receivable.
- It should be easy to execute and should not result in exploitation of workers.
- It will raise the self-confidence, efficiency and collaboration among the workers. It, being just and fair would provide contentment to the workers.
- Such system would help management in complying with the carious labor acts.
- Such system should also resolve disputes between the employee union and management.
- It should inspire and strengthen those who perform better and should impart opportunities for those who wish to excel.
- An ideal Compensation/Reward System brings harmony in the relationship of employer and employees.
- It aims at creating a healthy competition and encourages employees to work hard and efficiently.
- The organization is able to preserve the best talent by providing them ample compensation thereby stopping them from changing over to another job.
- The sound compensation system is indication of organization's success and profitability.

Gulf Oil Corporation Limited

The company is part of the international Hinduja Group, which was created with Gulf Oil India Limited incorporating with IDL Industries Limited from 1st of January, 2002. IDL Industries Limited was

retitled as Gulf Oil Corporation Limited with the merger of Gulf Oil India's business. Gulf Oil India became the Lubricants Division and IDL Industries is known as Explosive Division of the merged entity. The Explosives Division services segment grew rapidly and soon turned in to a third division of Infrastructural and Construction Projects and now is known as Mining and Infrastructure Division or IDL consult. A Property Development Division was found in the company from 2006.

The Vision statement of Gulf Oil Corporation is - "Gulf Oil will continue to be in the vanguard of its multiple interests and carry growth activities through prominence on Total Quality Management, adoption of emerging technologies, innovation through research, good corporate governance, adherence to fair business practices and effective use of physical, technological, research and development, information and financial resources, thus fulfilling the aspirations of customers, shareholders, employees and financiers."

OBJECTIVES

- Acquiring qualified personnel – Compensation for acquiring personnel must correspond with the supply and demand of employees.
- Retaining current employees – Compensation levels are to be competitive in order to retain existing employees.
- Ensuring equity – Efforts should be made for maintaining internal and external equity for the satisfaction of the employees.
- Controlling costs – A rational compensation helps the organization to obtain and retain workers at reasonable cost.
- Rewarding desirable qualities – An effective compensation plan should reward performance, loyalty, experience and responsibility.
- Legal requirements – A sound compensation system should comply with the legal requirements imposed by the government.

METHODOLOGY

The method of collecting information was done by personnel interview and questionnaire. Personnel interview was taken by department wise in order to gain the knowledge regarding the compensation management and its process in the organization

Primary Data

An unstructured questionnaire was administered to collect the first hand information from the employees and other officials concerned.

Secondary Data

Data was collected from the various books, internet, etc.

Sample size

The sample size taken was 24 employees of Gulf Oil Corporation Limited, Hyderabad.

Statistical tools

Simple statistical techniques like percentages, bar graphs, averages were applied based on the data collected for the study.

Period of study

Period of study was one month. During this period part of secondary data was also collected and analyzed.

RESULTS

- Pay for performance and Merit Pay are the Strategic Compensation Management Practices being implemented in Gulf Oil Corporation Ltd.
- To increase the productivity and efficiency Incentive plans are effectively executed in the organization.
- The employees are happy about the transport, canteen and library facility provided by the organization.
- The employees have full expertise in their workplace.
- Employee benefits are good in the organization.

SUGGESTIONS

- Applying some benefits in the pay scale will erase the perceptions of unsatisfied employees at Gulf Oil Corporation Ltd.

- Intrinsic and extrinsic rewards/compensation may be encouraged to increase the morale of the employees.
- Salary policy for the competent employees may be market match or market lead depending on financial position of the organization.
- The management should provide more fringe benefits to attract and retain the existing employees.
- General safety measures are expected to maintain in the same manner and to achieve zero accidents in operations.

CONCLUSION

- To enhance the employees satisfaction and efficiency at workplace by increasing the pay scale.
- Implementation of well-established General Safety Guidelines which are focusing on health and wealth of the employees.
- The incentive plans are the best pay plans for increasing the productivity, quality and efficiency of the employees as well as the reaching the organizational goals.
- Employee’s benefit such as Intrinsic and Extrinsic benefits helps in attracting and retaining the talent of the employees.

FIGURES AND TABLES

Table 1. How is your base pay adjusted?

S. No.	Options	No. of Respondents	% of Respondents
1.	Seniority pay	4	17%
2.	Cost of living index	13	54%
3.	Merit pay	2	8%
4.	Incentive pay	2	8%
5.	All of the above	3	13%

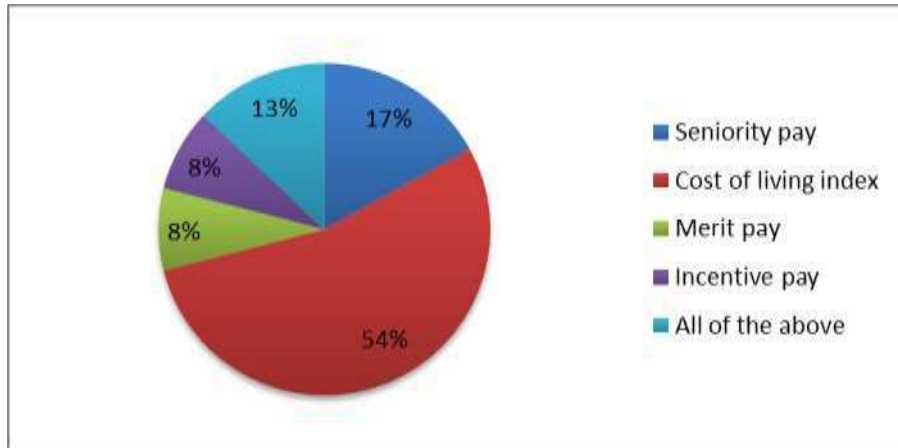


Fig. 1 Base Pay Adjusted

Interpretation: From the above table 17% of employees say Seniority pay, 54% Cost of living index, 8% Merit pay, 8% Incentive pay and 13 % all the above.

Table 2. Are you satisfied with the pay scale?

S. No.	Options	No. of Respondents	% of Respondents
1.	Yes	14	58%
2.	No	10	42%

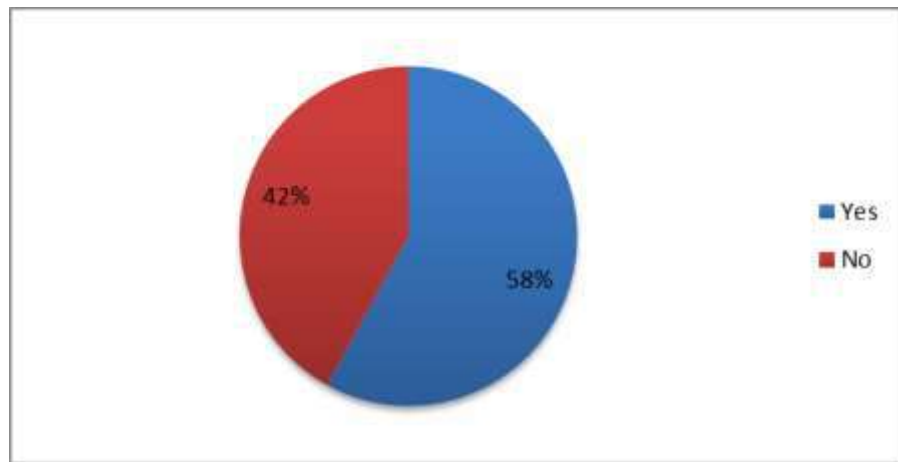


Fig. 2 Pay Scale Satisfaction

Interpretation: From the above table 58% of employees say yes while 42% say no.

Table 3. What is the frequency of salary/wage progress?

S. No.	Options	No. of Respondents	No. of Respondents
1.	Half yearly	8	33%
2.	Annually	16	67%

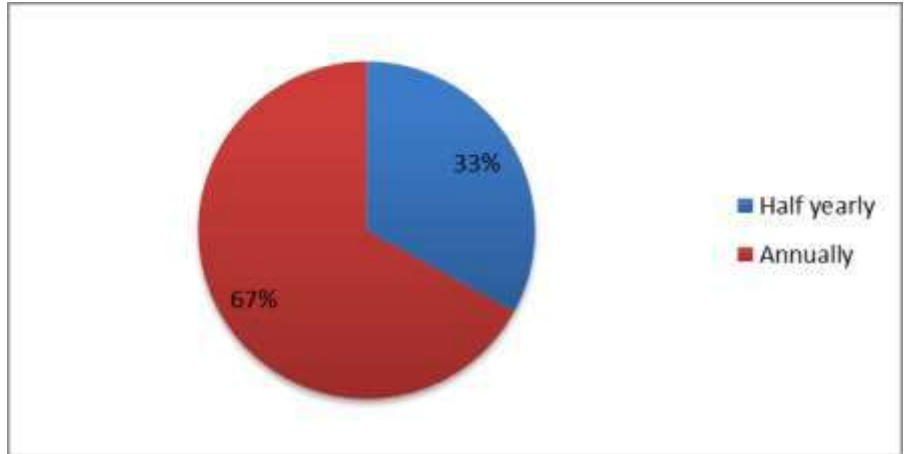


Fig. 3 Salary/wage Progress

Interpretation: From the above table 33% of employees say half yearly and 66% say annually.

Table 4. What is the tool used for increasing the salary?

S. No.	Options	No. of Respondents	% of Respondents
1.	Performance appraisal	12	50%
2.	Goal/Task attainment	3	12%
3.	All of the above	9	38%

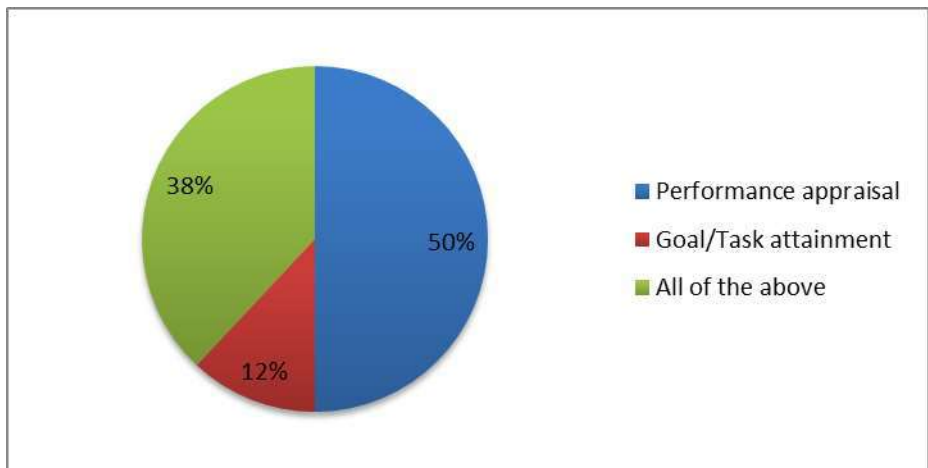


Fig. 4 Tools for Salary

Interpretation: From the above table 50% of employees say Performance appraisal, 12% Goal/Task attainment and 38% All the above.

Table 5. How does your salary/wage increase take place through?

S. No.	Options	No. of Respondents	% of Respondents
1.	Pay revision	10	42%
2.	Promotions	5	21%
3.	Collective bargaining	6	25%
4.	Expertise in field	3	12%

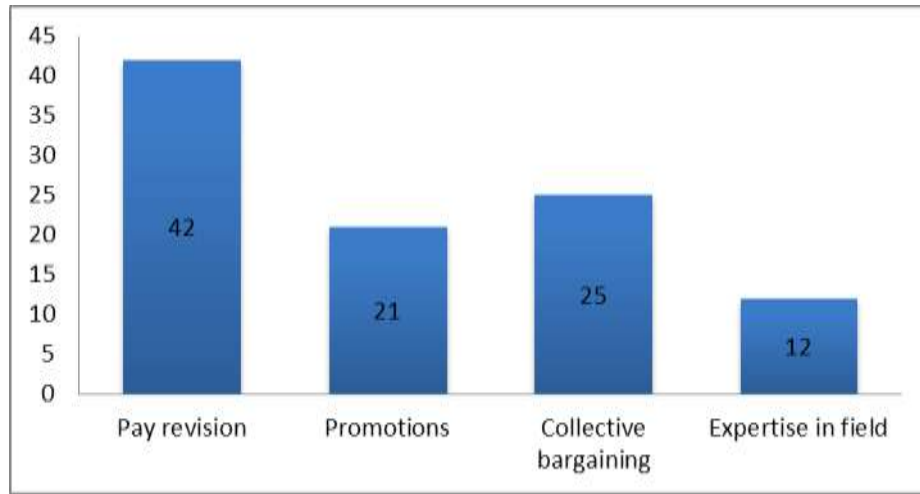


Fig. 5 Salary/wage Increase

Interpretation: From the above table 42% of employees say Pay revision, 21% Promotions, 25% Collective bargaining and 12% Expertise in field.

Table 6. On what does the increments are based on?

S. No.	Options	No. of Respondents	% of Respondents
1.	Promotions	3	12%
2.	Performance	6	25%
3.	Seniority	8	33%
4.	All of the above	7	30%

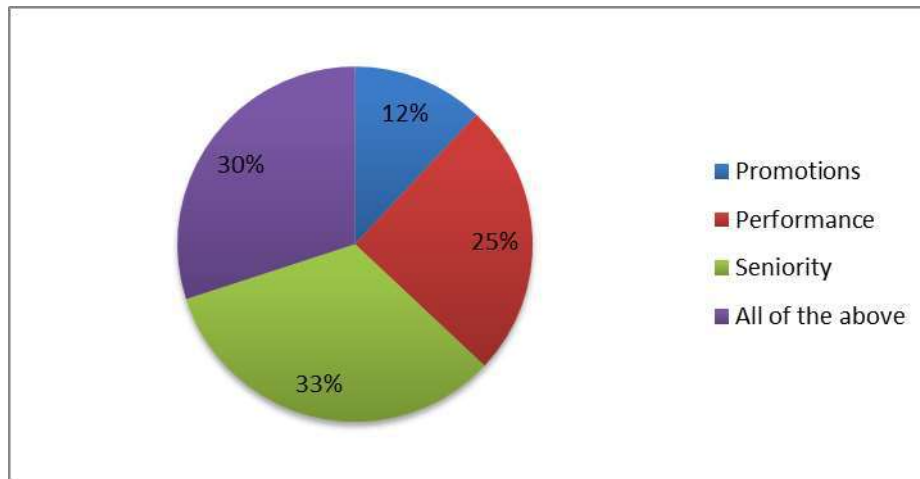


Fig. 6 Base for Increments

Interpretation: From the above table 12% of employees say Promotions, 25% Performance, 33% Seniority and 30% All the above.

Table 7. What do you think salary/ wage policy is of?

S. No.	Options	No. of Respondents	% of Respondents
1.	Market Lead - Compensated above the competitor's pay	3	12%
2.	Market March - Equally with the competitor's pay	8	33%
3.	Market Lag - Compensated below the competitor's pay	9	38%
4.	None of the above	4	17%



Fig. 7 Salary/wage Policy

Interpretation: From the above table 12% of employees say Market Lead, 33% Market Match, 38% Market Lag and 17% none of the above.

Table 8. What are the employee's benefits that attract and are retained in your organization?

S. No.	Options	No. of Respondents	% of Respondents
1.	Medical allowance	4	17%
2.	Leave travel concession	4	17%
3.	Pension plans	3	12%
4.	Training/Educational opportunities	3	12%
5.	Canteen facilities	6	25%
6.	Promotions	3	12%
7.	Incentives	1	5%

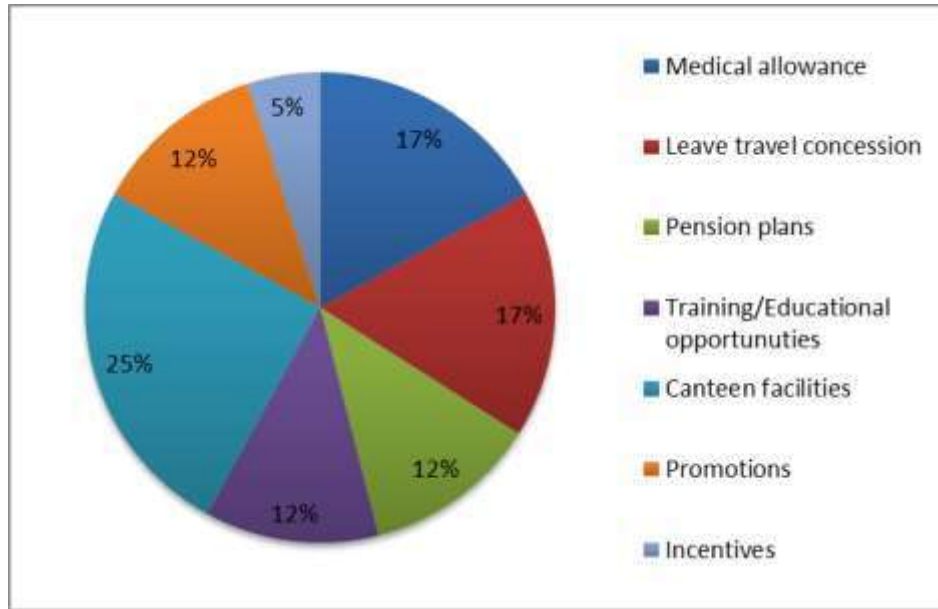


Fig. 8 Employee Benefits

Interpretation: From the above table 17% of the employees say Medical allowance, 17% Leave travel concession , 12% Pension plans , 12% Training / Educational opportunities, 25% Canteen Facilities, 12% Promotions and 5% Incentives.

Table 9. What incentives / variable pay that is used to increase productivity in your organization?

S. No.	Options	No. of Respondents	% of Respondents
1.	Full attendance bonus	3	12%
2.	Productivity linked bonus	7	30%
3.	Shift allowance	4	17%
4.	Quality and safety incentives	3	12%
5.	Festival advances	4	17%
6.	Direct operator allowance	3	12%

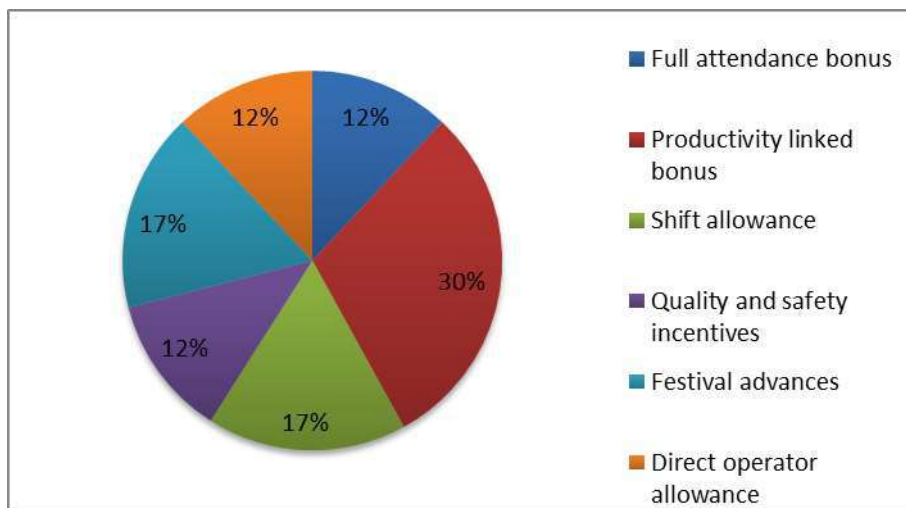


Fig. 9 Incentives/variable Pay

Interpretation: From the above table 12% of the employees says Full attendance bonus, 30% Productivity linked bonus, 17% Shifted allowance,

12% Quality and safety incentive, 17% Festival advances, 12% Direct Operator allowance.

Table 10. How do you feel about the precautionary and safety measures provided by the company?

S. No	Options	No. of Respondents	% of Respondents
1.	Not Satisfied	1	4%
2.	Satisfied	18	75%
3.	Extremely Satisfied	5	21%

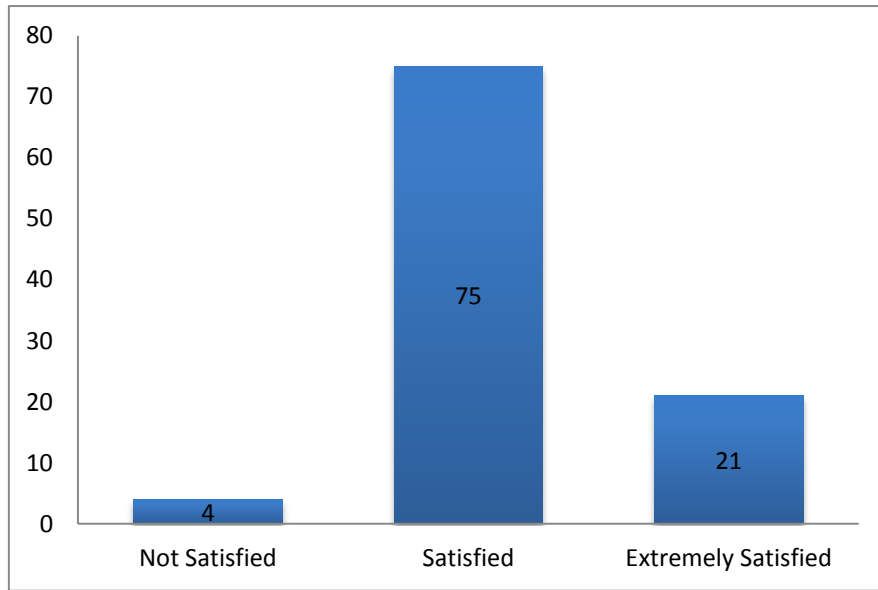


Fig. 10 Precautionary and Safety measures

Interpretation: From the above table 4% of employees say not satisfied, 75% satisfied and 21% extremely satisfied.

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