



A STUDY ON THE IMPACT OF LABOUR INCENTIVES ON EMPLOYEE MORALE WITH SPECIAL REFERENCE TO SMALL SCALE ENTERPRISE IN ERODE.

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ABSTRACT

In every Organization, large or small, private or public enterprises, human resources are always the pillar of success of the organization. The human elements have their individuals' drives, desires, needs, wishes and similar forces which they intend to satisfy when they are coming into the organization. The satisfaction or non-satisfaction of these needs by the organization has an impact on the behaviour or performance of the employee and eventually on productivity. Incentives are one technique by which employers carry out their end of the employment contract i.e. compensating employees for their efforts. Incentive packages is a motivating drive that enhances the employees right attitudes to work and this will invariably propel them to be committed and willing to work hard in anticipation of what they stand to get in return. Labour incentives (both monetary and non-monetary) are quantitative factors while employee morale is qualitative factor. The factor of morale creates an impact over intrinsic and extrinsic motivation. This paper attempts to find out whether incentives i.e both monetary and non-monetary plays a prominent and significant role in enhancing the employees' morale.

Keywords: Extrinsic, Incentive, Intrinsic, Packages, Satisfaction.

Introduction

The basic idea of the topic review is to find out the information available in relation to the impact of labour incentives on employee morale. A difference is observed between employees' salaries

payment and employees' incentives payment. Salaries shall retain talented employees while incentives encourage talented employees towards an outstanding performance. The attitude, feelings and emotions of the employees towards incentives in the organization plays an important role in determining their performance and behaviour- Jain KK, Jabeen Fauzic, Mishra Vinitha & Gupta Naveen (2007).

Both monetary and non-monetary incentives are considered as workplace motivators and in particular the cash incentives constitute primary motivators, essential to fulfill the needs and wants of the work force. But non-monetary incentives have gained more significance in the industry to enhance employee performance in this tight scenario- Bulletined (2005). Employees may perceive non-monetary incentives to be more valuable than the retail value of award in cash. This is infrequently referred to as "Trophy value"- Scott Jeffry (2003). In June 1995 article publication of "Occupational Health and Safety" Alan Colledge cites the example of the Union Pacific Railroad diesel shop's increase in injury claims over a two year period. The employees felt that management cared more for production than for the well being of the workforce.

A ten member committee was set up with representatives from all sides of the issue. "AIM"- Attitude, Incentive, Morale was the name given to this team of individuals. The group "empowered" its employees and gave them a sense of ownership in the decision making process. The result was a dramatic decrease in injuries and a commensurate level of increase in productivity (Colledge 1995). William Ransom, President of Ransom & Associates (a management advisory firm) writes: "the morale of a business allows it to accomplish more than its cumulative talents would suggest. It operates in a synergistic mode using management, employee and customer participation to resolve its problems." He further lists three characteristics of a high morale organization namely: Gives workers the freedom and autonomy to do their jobs, Rewards the employee for exceeding expectations, Listens to employees and swiftly act to resolve any disputes.

Statement of the research problem

In India, not much empirical work in relation to incentives being a tool for establishing and enhancing employee morale has been carried out. There are a number of small scale units registered under the MS&ME Act 2008. (Micro Small & Medium Enterprises Act). In the present sophisticated and competitive industrial market with a plethora of stringent quality

parameters and by using low cost technology, it is a challenging feature for a small scale entrepreneur to retain best performing employees against the best paymasters.

This observation made the researcher to think on the line “can a small scale entrepreneur improve his/her concern’s employees’ performance by providing incentives to them and enhance their level of morale for the concern’s survival and growth in this highly competitive market. This thought made the researcher to carry out a study titled “Impact of labour incentives on employee morale”.

The study was conducted in a small engineering enterprise established in the year 2006, located in an industrial area in Erode. The name and address of the organization is kept confidential in the paper as per secrecy promised. The unit was started by two young entrepreneurs who believe in introducing changes through innovative practices in all the functional areas of business performance- production, marketing, human resource, finance. The entrepreneurs strongly believed in transparent and ethical business philosophy for producing best quality products. This study identified the various types of monetary and non-monetary incentives provided by the enterprise such as individual incentives, group incentives, group bonus plan, and various extrinsic benefits namely, ESI, PF, Gratuity and intrinsic benefits like allowances, awards, fringe benefits, perquisites.

Objectives of the study

The study focuses on the following objectives:

To understand the satisfaction level of employees towards the various incentive schemes offered by the organization.

To find out whether there would be a reduction in rate of absenteeism among employees on introducing attractive incentives schemes.

To evaluate the strength of employee’s morale.

To study the impact of labour incentive schemes on employee morale.

To study the improvements in incentive scheme packages.

Methodology

Data collection

Empirical research design was adopted in the study. The primary data was collected by distributing questionnaires to the respondents. They were distributed to the shop floor employees of the concern.

Sample design

The total number of respondents considered for the study was 120. To these respondents, questionnaires were distributed. Stratified random sampling method was employed. Out of 120 respondents, 100 respondents responded completely. The respondents included twenty management staff, twenty supervisors and sixty workers. There were 70 male respondents and 30 female respondents in the selected samples.

Instrument

The first part of the questionnaire explained the nature and the purpose of work assuring complete secrecy of identity and response of the respondents. This part also included personal profile of the respondents as age, gender, marital status, designation, income group. The second part of the questionnaire contained 36 questions divided into two sections.

Section I: The questionnaire included 26 questions in this section related to the attitude of the respondents towards the labour incentive scheme adopted in the organization. The reliability coefficient of this part of the questionnaire was found to be very high.

Section II: This part of questionnaire included 10 questions relating to the qualitative measure of the enterprise morale of the employees.

Hypotheses

H1: The basic idea of introducing incentive schemes is not to increase earning of its employees.

H2: The introduction of new labour incentive scheme does not reduce the rate of absenteeism.

H3: The frequency of complaints about each other in the department is not very high.

H4: The frequency of complaints relating to working conditions is not low.

H5: The employee absenteeism rate in the concern is not very high.

Data analysis and interpretation

The primary data collected were analysed using mathematical and statistical tools. Mathematical tools employed were percentage analysis. Statistical tool include the application of various non-parametric and parametric test. To be specific, the non-parametric test employed was the chi-square test, kolmogorov-Smirnov test and the parametric test used was the student's t test. Further the existence of the relationship between the attitude of the employees about labour incentive and the employee morale was identified using Karl-Pearson's coefficient of correlation test.

Findings from Percentage analysis

In response to some specific questions related to the quality of labour incentive schemes adopted by the concern, 72% of the employees opined that the rate of absenteeism was not reduced because of introducing new labour incentive schemes. 60% of the respondents on the whole are quite satisfied about their jobs and about 64% of the respondents felt motivated after the concern's introduction of new individual incentive bonus scheme.

Findings from Hypotheses results

In the study the first null hypothesis is rejected and the alternative hypothesis was accepted. That is, the basic idea of introducing incentive schemes is to increase the earnings of its employees. The second null hypothesis was accepted that is the introduction of new labour incentive schemes does not reduce the rate of employees' absenteeism in the concern. The third null hypothesis and the alternate hypothesis that is the frequency of the complaints about each other in the department is very high are accepted. The fourth null hypothesis is rejected and the alternate hypothesis that is the frequency of complaints about the working conditions is low is accepted. The fifth null hypothesis is rejected and the alternate hypothesis that is the absenteeism rate in the concern is high is accepted.

Conclusion

Based on the above findings, it can be concluded with reasonable degree of confidence that a well designed incentive scheme could positively enhance employee morale in a small scale concern. This would lead to a high level of job satisfaction and would in turn motivate employees towards and overall effective organizational performance resulting in an increase in the organizational productivity.

However, for small scale enterprises in the Indian context, non-monetary incentives are more preferred than monetary incentives as per the outcome of the study. This fact is evident from the result that incentives are provided to the employees only to increase the income of the workers who thereby contribute their efforts towards increased production or for maintaining better product quality. But for long term sustainability the employee's sense of belonging (morale) towards the concern is of vital importance for which non-monetary incentive schemes should be preferred. This is a very significant point to be considered by the small scale business entrepreneurs to become successful in the Indian business context.

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