



INTERNATIONAL RESEARCH JOURNAL OF HUMANITIES AND INTERDISCIPLINARY STUDIES

(Peer-reviewed, Refereed, Indexed & Open Access Journal)

DOI : 03.2021-11278686

ISSN : 2582-8568

IMPACT FACTOR : 5.71 (SJIF 2021)

Employee Remuneration and the Principle of Fairness

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DOI No. **03.2021-11278686** DOI Link :: <https://doi-ds.org/doi/10.2021-59243857/IRJHIS2112003>

Abstract:

The study strives to document the relationship between employee perception of fairness in remuneration practices adopted in the organization by applying Costa's level of questioning. The paper has been divided into three segments where one advances to the next level. The first phase gathers information from past studies on how perception influences commitment, furthering the middle level reflects the various perpetual disparities among members of the organization, draws upon social exchange and signalling theory to depict the relevance of proximity established between employee perception of fairness and the remuneration strategy as well as deliberates on the realms of possibilities to bring about consistency in bettering employee perception. We bring closer all the stages in one frame to suggest the perception context of the employee remains quite hazy, urgently demanding greater clarity for mutual growth.

Keywords: Remuneration, fairness, signaling theory, perception, compensation

Introduction:

In most circumstances, an organization's success is decided by the efficacy of its human resources. Employees are viewed as a critical asset for firms to survive in the present globalization phase. As a result, the majority of businesses are anxious about keeping their top and skilled employees which is a major source of worry for many organizations. As a result, it is vital to investigate the factors that retain employees with satisfaction because the global economy has become increasingly knowledge-based, retaining and attracting employees may help a company acquire a competitive advantage (Holtom et al., 2008).

The incentive system (Mohd Zin et al., 2012) which is one of the most important human resource management practices has a significant influence on whether to stay or quit his existing job. Though other human resource management practices like recruitment and selection, training, performance appraisal, and career management are crucial for an employee, it is for an appropriate compensation an individual work. It sustains his living and determines his standard of life. Therefore, not just being remunerated is enough perceiving it to be fair is equally significant.

2. Method:

The researcher has adopted Costa's Levels of Questioning developed by Arthur Costa, an educational researcher, which is a technique of formulating an advanced level of questions one after the other. The technique of Costa's Level of Questioning has been applied as it permits a deeper and clear understanding of concepts under study. This method consists of three different levels of interrogation. The primary stage is labeled as level 1 that gathers information from prior research. Proceeding to the middle stage, level 2 identifies theoretical grounding. The last stage called level 3, the highest in order, proposes scope for advanced research in perpetual literature. An investigation progressing from basics to advance phase is critical inefficaciously putting forward the right question at the right time. Building on Costa's Levels of Questioning, we intend to classify the entire body of work into three categories.

Level 1: Employee Perception of Fair Remuneration:

Rewards for an employee include both monetary and non-monetary, extrinsic, and intrinsic benefits offered by management to motivate and satisfy personnel (Aon Hewitt, 2012). From physiological to self-actualization levels, a very well, integrated and executed holistic reward scheme meets the majority of needs fairly, beginning with basic salary and benefits and concluding with possibilities for professional growth (Aon Hewitt, 2012). Employees who believe they are appropriately rewarded are much more involved, less likely to quit, have less stress at work, are physically and psychologically healthier, and are happier in their personal life. Fairly rewarding employees, voluntary turnover may be minimized, and the high cost to replace an employee can be averted. When it comes to framing a compensation scheme, these are critical aspects to keep in mind (Coppin, 2017). Internal equity, the desire for outward parity, and evaluative neutrality are all influences on one's view of fairness. The concern for fairness is an aversion to inequity (Fehr, E., and K. Schmidt. 1999) Organisation must implement compensation policies that promote both internal and external equity (Hareendra kumar et al., 2020). Companies have a tough time attracting, retaining, and sustaining employee morale when internal equality and external viability are not fully maintained under the existing pay system (Dulebohn & Werling, 2007). So, based on statistical data, this study concluded that if employees perceive higher pay, a fair and reasonable evaluation system, and a high rate of career progression inside enterprises, they would become more attached to the

company and their chances of departing will be lowered (Nawaz & Pangil, 2016).

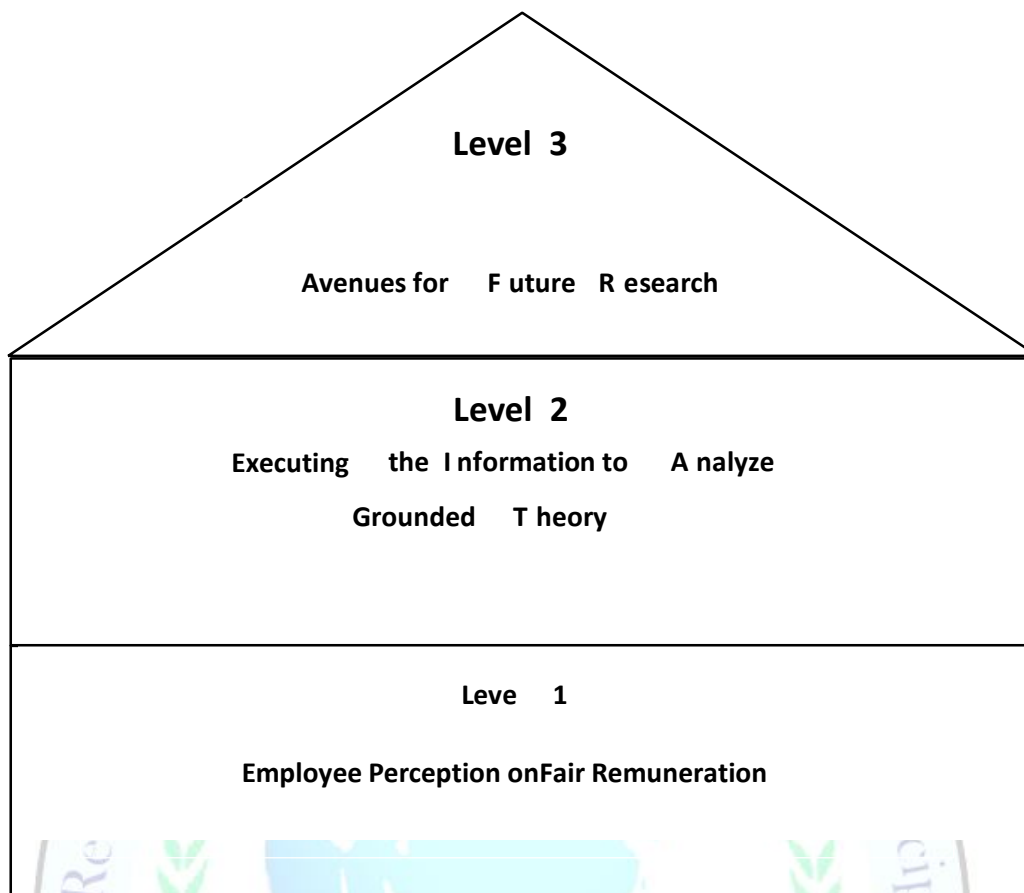


Figure 1 Summary model of interrogation based on Costa's level of questioning

Level 2: Executing the Information to Analyse Grounded Theory

In this study, signalling theory is extremely important. Signals, in our context, are communications generated by HRM procedures, with the transmitter being the employer and the receiver being the employee. Employers send signals to their employees. The receiver's function in interpreting messages following the sender is highlighted in signalling theory. In this case, a strong message from employers emphasising their concern helps every individual build a sense of security and stability, assuring high performance and peace of mind (Yamamoto, 2013). By establishing a pay system that promotes fairness, management conveys the message to employees that it believes in the concept of justice through fairness.

Level 3: Avenues for Future Research:

An empirical study with more exploratory factors will be highly relevant in this context. Employees from various cadres or executives from various hierarchies might be used as a sample size to learn about employee perceptions from diverse ranks. This context is significant in both western and Asian contexts, however, we have more western research. Research on comparable concepts may be addressed in both western and Asian settings.

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