

## Factors Influencing Employee Incentives Schemes - A Study in Selected Spinning Mills in Tiruppur City

S. Vignesh Ram<sup>1</sup> and Dr.N. Naveena<sup>2</sup>

1. Research scholar, Kongu College of Arts & Science (Affiliated to Bharathidasan University, Tiruchirapalli), Karur, Tamilnadu
2. Research guide, Kongu College of Arts & Science, (Affiliated to Bharathidasan University, Tiruchirapalli), Karur, Tamilnadu

### Abstract:

Compensation for work plays a crucial role in any organization as it contributes to enhancing overall productivity, profitability, and employee morale. The current research focuses on studying the factors influencing employee incentives schemes - a study in selected spinning mills in Tiruppur city. The study relies on both primary and secondary data, with a sample of 75 respondents selected from the population of employees in five spinning mills using a convenient sampling method. Structured questionnaires were utilized for data collection, and assistance was provided to respondents with no formal education. Major findings were: 25% of the respondents mentioned that the payment and incentives system is impacted by the working hours. An analysis on employee willingness to continue in the spinning mills for long run showed that employees do not vigorously consider incentives as a major reason to continue for a long time. Among three categories, the mean scores varied between 1.9 and 2.1 which tells less than average level of agreement. The suggestions provided by the respondents indicate that the examination of the effects of incentive programs on attendance has revealed that workers, trained employees, and more experienced individuals believe that these schemes contribute to an improvement in attendance.

**Keywords:** Factors Affecting Incentive System, Employee Payment System, Incentive Schemes, Compensation Management, Spinning Mills, Personnel Compensation Schemes.

### 1. Introduction Of the Study

The employee payment system refers to the process of compensating employees for their work and productivity. Companies regularly review their payment policies, taking into account employee performance evaluations conducted annually, semi-annually, or quarterly. Performance is a crucial factor in determining payment and incentive policies, as it contributes to overall productivity, profitability, and employee morale. By regularly assessing these policies, companies can identify areas for improvement, offer necessary support and training to employees, and ensure that everyone is working towards common goals. Incentive policies for employees may vary depending on the industry, role, and type of business.

### 2. Review Of Literature

**Sravan Kumar et al. (2013)** aimed to examine the impact of incentive schemes on various factors that influence employee performance. The data for this study were collected through a questionnaire from 120 respondents across all employee categories. The analysis of the data was conducted using mean scores, and an independent sample z-test was employed to identify any differences in the pursuit of incentive schemes among employees. The findings and conclusions drawn from all three employee categories indicate a general satisfaction with the incentive schemes. Overall, the analysis reveals that these schemes not only improve employee performance but also contribute to increased incomes for workers and other associated benefits.

**Manish Gupta et al. (2015)** investigated the factors that impact the engagement of employees in financial offshore organizations in India. A total of sixty employees who are involved in providing financial services through offshoring were interviewed. The collected data was analyzed using thematic analysis. The findings of this study hold significant practical implications. Firstly, these factors will motivate employers to develop more employee-friendly policies. Secondly, by addressing the employee concerns highlighted in this research, it is

expected that employers will be able to enhance the overall efficiency of their workforce and improve the relationship between employers and employees.

**Owusu Ernest (2017)** demonstrated the effectiveness of performance-based incentive schemes on both employees and organizations. Managers have been using incentive schemes for a long time as a means to motivate employees and improve their service delivery. Through the examination of literature and verifiable results from various organizations, it has been determined that incentive schemes have a significant impact on employee development and performance. The study discusses various motivational tools that influence organizational performance. Research indicates that the motivation approach has contributed to increased efficiency, employee motivation, and overall capability, resulting in enhanced employee performance.

**Wei Liu et al. (2022)** aimed to address two gaps identified in previous research. The first gap pertains to the examination of employee loyalty and engagement in relation to the business cycle. The second gap involves the recommendation for future researchers to explore different moderators between incentives, employee health, and job performance in the context of population health. These questionnaires were completed by 171 doctors and 149 nurses working in both public and private sectors in Shandong, Eastern China. The findings of the study indicate that there is a relationship between various variables. Some variables have a greater impact on others, such as transformational leadership, which significantly influences job performance and the business cycle. Monetary incentives also impact job performance and population health, although to a lesser extent.

**Ibrahim Ghazi et al. (2023)** explored the impact of incentives and rewards on employee performance in the industrial sectors of Saudi Arabia, as well as the role of job satisfaction in this dynamic, with a sample size of 216 full-time employees. Structural equation modelling (SEM) was utilized as a statistical method to test the hypotheses. The results revealed that there is no significant direct effect between incentives and rewards and employee performance. However, there is a significant direct effect between incentives and rewards and job satisfaction, as well as a significant direct effect between job satisfaction (as a mediating variable) and performance. Moreover, when job satisfaction acts as a mediator, the influence of incentives and rewards on employee performance becomes significant.

### **3. Statement Of the Problem**

The employees have high expectations of receiving compensation for their work and the efforts they put in. It is of utmost importance for all business organizations to ensure that employees are fairly remunerated for their work. Monetary benefits play a vital role in influencing employee performance, productivity, and output. However, in practice, many companies fail to provide adequate financial benefits, resulting in employees being consistently underpaid. The government also emphasizes the importance of payment policies through pay commissions, amendments, and labor laws. The objective of the present study is to examine the factors influencing the Employee Incentives Schemes, with a specific focus on selected spinning mills in the Tiruppur locality. While previous studies have covered various aspects of payment policies, this study aims to explore the impact of Employee Incentives Schemes on performance in the context of selected spinning mills in Tiruppur, Tamilnadu, India.

### **4. Objectives Of The Study**

Following were framed as objectives of the study.

- ❖ To explore the factors influencing employee incentives schemes
- ❖ To highlight the expectations of employee towards payment and incentives

### **5. Research Methodology**

The study utilized data from both primary and secondary sources. The primary data was collected through structured questionnaires, while the secondary data was gathered from websites, books, and printed and e-journals. The questionnaire was specifically designed to meet the objectives of the study. The first section gathered information on the personal profiles of the respondents, while the second section focused on the satisfaction, expectations, and drawbacks related to payment and incentives. The study included a sample size of 75 respondents from 5 spinning mills in Tiruppur city, selected through non-random sampling. The employees were

requested to fill out the questionnaire, and assistance was provided to non-formally educated respondents. Convenient sampling was adopted to select the samples. The study also employed specific statistical tools such as Percentage Analysis, Rank Analysis, Chi-square Test, and Z-test.

## 6. Hypotheses Of The Study

Following hypotheses were framed for the study.

1. There is a relationship between annual income and factors influencing incentive scheme.
2. There is a relationship between work experience and impact of incentive scheme.

## 7. Analysis Of Data

**TABLE 7.1: Selected Socio-Economic Factors**

| Factor          | Components             | No. of Respondents | Percentage (%) |
|-----------------|------------------------|--------------------|----------------|
| Annual Income   | Below Rs.100000        | 14                 | 19             |
|                 | Rs.100001 to Rs.150000 | 29                 | 39             |
|                 | Rs.150001 to Rs.200000 | 21                 | 28             |
|                 | Above Rs.200000        | 11                 | 14             |
| Shift           | Day                    | 44                 | 59             |
|                 | Night                  | 21                 | 28             |
|                 | Rotational (Day-Night) | 10                 | 13             |
| Work experience | Below 1 year           | 9                  | 12             |
|                 | 1-5 years              | 30                 | 40             |
|                 | 5-10 years             | 19                 | 25             |
|                 | Above 10 years         | 17                 | 23             |

**Source:** Primary Data

The above table shows the selected socio-economic factors of the respondents. Annual income is below Rs.1 lakh to Rs.1.5 lakhs for 39% of respondents. 59% of the respondents belongs to day shift. 40% of the respondents have work experience from 1-5years.

**TABLE 7.2: Impact Of Incentive Schemes On Work Motivation**

| Category     | No. of Respondents | Weighted Scores | Mean Scores |
|--------------|--------------------|-----------------|-------------|
| Workers      | 54                 | 234             | 2.69        |
| Clerical     | 11                 | 51              | 2.81        |
| Supervisors  | 10                 | 41              | 2.75        |
| <b>Total</b> | 75                 | 326             | 2.75        |

**Source:** Primary Data

The above table 7.2 shows the Impact of incentive schemes on work motivation. There are three category of respondents namely, Workers, Clerical and Supervisors. High mean score is obtained by workers which shows the high impact of incentive schemes of workers category.

### Chi-Square Analysis

(i) **There is a relationship between annual income and factors influencing incentive scheme.** Annual income and factors influencing incentive scheme are compared. The calculated chi-square value is 7.10 and table value at five percent level is 12.59. Since the calculated Chi-square value is lower than the table value at five percent level, there is a significant association between annual income and factors influencing incentive scheme. Therefore, the hypothesis is accepted.

(ii) **There is relationship between work experience and impact of incentive scheme.**

Work experience and impact of incentive plans are compared. The calculated chi-square value is 7.81 and table value at five percent level is 12.59. Since the calculated Chi-square value is lower than the table value at five percent level, there is a significant association between experience and impact of incentives scheme. Therefore, the hypothesis is accepted.

### Rank Analysis

**TABLE 7.3: Factors INFLUENCING INCENTIVES**

| Factors influencing incentives | Total | Mean Score | Rank |
|--------------------------------|-------|------------|------|
| Working hours                  | 240   | 3.20       | IV   |
| Increased productivity         | 264   | 3.52       | I    |
| Waste minimization             | 231   | 3.08       | V    |
| Overall cost-cutting           | 251   | 3.35       | II   |
| Employee commitment            | 246   | 3.28       | III  |

**Source:** Primary Data

With the help of the primary data, the factors affecting incentives are ranked. Increased productivity is ranked I with mean score of 3.52. II rank is given to Overall cost-cutting with mean score of 3.35. Employee commitment and Working hours are given ranks III and IV with mean score of 3.28 and 3.20 respectively. Waste minimization is ranked V with mean score of 3.08.

**TABLE 7.4: Z-Test To Test Differences Between Means**

|                          | Workers | Supervisory Staff | Test value |
|--------------------------|---------|-------------------|------------|
| Mean                     | 2.32    | 2.38              |            |
| Std. Deviation           | 0.5732  | 0.5728            |            |
| z-value                  |         |                   | -0.2195    |
| two-tailed p-value       |         |                   | 0.4534     |
| 95% confidence intervals |         |                   |            |
| Upper                    |         |                   | 0.2576     |
| Lower                    |         |                   | -0.5922    |

**Source:** Primary Data

The above table shows the results of Z-test to test differences between means of workers and supervisory staff. The calculated Z-value lies between confidence intervals and the result shows that there is no significant difference between worker category and supervisory staff category in adopting wage incentive plans.

### **8. Significant Findings**

56% of the respondents are female. 47% of the respondents are educated upto school level. Annual income is below Rs.1 lakh to Rs.1.5 lakhs for 39% of respondents. 65% of the respondents reside in urban area. 48% of the respondents' family has income earning members of 2. 68% of the respondents are from nuclear family. 59% of the respondents are belonging to day shift. 40% of the respondents have work experience from 1-5 years. About 52% of the respondents mentioned that they expect appropriate increments. 70% of the respondents mentioned that they are not fairly paid for the overtime. 41% of the respondents mentioned that the company yearly once revises the incentives schemes. 72% of the respondents belongs to the workers category.

25% of the respondents mentioned that the payment and incentives system is impacted by the working hours. An analysis on employee willingness to continue in the spinning mills for long run showed that employees do not vigorously consider incentives as a major reason to continue in the spinning mills for a long time. Among three categories, the mean scores varied between 1.9 and 2.1 which tells less than average level of agreement. The employees feel that other factors play a crucial role in their decision to continue in the spinning mills for long period. Analysis on productivity highlights that there is high level of agreement among the workers for positive impact of incentives on productivity of the spinning mills.

### **9. Suggestions**

The examination of the effects of incentive programs on attendance has revealed that workers, trained employees, and more experienced individuals believe that these schemes contribute to an improvement in attendance. All categories of workers have expressed that incentives have a positive impact on employee retention within the company. Additionally, all categories of employees strongly believe that incentives undeniably aid in enhancing productivity. Workers and experienced employees have indicated that as a consequence of incentive payments, employees tend to work overtime, which can lead to health issues. In terms of fostering team spirit among employees, it has been observed that the majority of employees perceive an enhancement in teamwork as a result of both individual and group incentives.

### **10. Conclusion**

In today's modernized world, companies have embraced super modernization and mechanization. However, it is important to note that these machines and businesses cannot run without the help of employees. Unfortunately, the performance of employees is often underrated and not financially motivated, leading to a mind-set of producing only what is required rather than working hard. According to the reward analysis, most employees are of the opinion that incentives can be used to reward efficient workers. A survey was conducted to determine the satisfaction level of workers and employees with the implementation of incentive schemes, and it was found that the highest satisfaction was among the supervisory staff. To make the incentive schemes more effective and beneficial for the workers, it is recommended that the Clerical staff and supervisors be paid incentives bonuses on a weekly basis instead of fortnightly. Additionally, incentives should be based on the shift average production of the team to encourage teamwork.

### **References:**

- [1] Ibrahim Ghazi Alkandi, Mohammed Arshad Khan, Mohammed Fallatah, Ahmad Alabdulhadi, Salem Alanizan and Jaithen Alharbi, Saudi Arabia, "The Impact of Incentive and Reward Systems on Employee Performance in the Saudi Primary, Secondary, and Tertiary Industrial Sectors: A Mediating Influence of Employee Job Satisfaction", Sustainability 2023, PP.1-22.
- [2] Manish Gupta, Shirshendu Ganguli and Abhilash Ponnamm, ICFAI Foundation for Higher Education University, "Factors Affecting Employee Engagement in India: A Study on Offshoring of Financial Services", The Qualitative Report, Vol. 20(4), PP.498-515.

- [3] Owusu Ernest K, Ph.D Scholar and Faculty of Management and Commerce, M.S. Ramaiah University of Applied Sciences Bangalore, India, “Review of Incentive scheme provisions for enhanced motivation and service delivery”, International Journal of Applied Environmental Sciences, Vol.12(12), PP.2049-2067.
- [4] Sravan Kumar Reddy and Sarfraz Karim, Department of Management, College of Business and Economics, Wollega University, Ethiopia “Impact of Incentive Schemes on Employee Performance: A Case Study of Singareni Collieries Company Limited, Kothagudem, Andhra Pradesh, India”, Science, Technology and Arts Research Journal, Vol. 2(4), PP.122-125.
- [5] Wei Liu and Yaoping Liu, Rajamangala University of Technology Krungthep, Bangkok, Thailand, “The Impact of Incentives on Job Performance, Business Cycle, and Population Health in Emerging Economies” , Frontiers in Public Health, Vol. 9, PP.1-14.

**Books:**

- [1] Kothari C.R, Research Methodology, Second Revised Edition, New Age International (P) Ltd., and Publishers.
- [2] Gupta S.P, Statistical Methods, 31<sup>st</sup> Edition 2003, Sultan Chand & Sons Publications.