

**PATTERN OF EXECUTIVE REMUNERATION
IN THE MANUFACTURING PUBLIC
ENTERPRISES IN KERALA**

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CERTIFICATE

Certified that the thesis entitled "**Pattern of Executive Remuneration in the Manufacturing Public Enterprises in Kerala**" is the record of bona fide research carried out by **Mr. V.A. Sonny** under my supervision. The thesis is worth-submitting for the Degree of Doctor of Philosophy under the Faculty of Social Sciences.


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DECLARATION

I declare that this thesis is the record of bona fide research work carried out by me under the supervision of Dr.N. Chandrasekharan Pillai, Professor, School of Management Studies, Cochin University of Science and Technology, Cochin 682022. I further declare that this thesis has not previously formed the basis for the award of any degree, diploma, associateship, fellowship or other similar title of recognition.

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LIST OF ABBREVIATIONS

AGM	Assistant General Manager
Asst. Egr.	Assistant Engineer
Asst. Mgr.	Assistant Manager
Av. Rem.	Average Remuneration
CA	Current Assets
CE	Capital Employed
CEO	Chief Executive Officer
CE	Capital Employed
CL	Current Liabilities
DA	Dearness Allowance
DGM	Deputy General Manager
Div.	Dividend
Dy. Egr.	Deputy Engineer
Dy. Mgr	Deputy Manager
Egr.	Engineer
Estd	Established
Ex. Egr.	Executive Engineer
FA	Fixed Assets
GM	General Manager
GP	Gross profit
LTL	Long Term Loans
Max.	Maximum

Mln.	Minimum
NFA	Net Fixed Assets
No.	Number
NP	Net Profit
NS	Net Sales
NW	Net Worth
OP	Operating Profit
PE	Public Enterprise
PC	Paid-up Capital
Re. Sur.	Reserves and Surplus
Rs.	Rupees
SBU	Small Business Unit
Sl.	Serial
SMS	School of Management Studies
Sr.	Senior
Sr. Mgr.	Senior Manager
SV	Sales Volume
TE	Total Employees
TI	Total Income
WC	Working Capital

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Chapter 1

INTRODUCTION

1.1 State intervention in the economic system for national development and social progress has been clearly accepted by Governments all over the world, irrespective of their ideological predilections. "Regardless of ideological background, state intervention of a positive kind in the ownership, operation and regulation of industries and services has now become a part of governmental activity" (Robson, 1952, 17). But the causes leading to the emergence and popularity of public enterprises were, however, not the same everywhere. In the developed free enterprise economies of the West, the emergence of public enterprises was the result of the growing realisation about the unworkability of the laissez faire policy and the widespread social tensions created by capitalism in its unbridled form. In socialist countries, public enterprises were the result of an ideological commitment to liquidate capitalist system and private enterprise. In most developing nations, on the other hand, public enterprises were created in the post World War II period as a matter of sheer economic necessity rather than of any ideological commitment.

1.1.1 Public enterprises occupy an important role in the national economies of most of the countries of the world, especially in developing countries. "There can be no doubt that the public sector occupies a major place in the social life of the developing countries and there are no indications that it will play a lesser role in future" (Kolesov, 1980, 3). The public sector has played a key role in the economies of developing Asian countries. To finance the development of physical and social infrastructure, in the absence of developed capital markets, these countries set up public enterprises to generate domestic savings and profits. In fact, whatever the ultimate perspective may be, the country anxious to develop economically has no alternative but to use public enterprise on a considerable scale at the very best in order to get things going (Hanson, 1960, 23).

1.2 DEFINITION OF PUBLIC ENTERPRISE

Section 617 of the Companies Act, 1956, has defined a public enterprise as follows: "A government company is one in which not less than fifty one per cent of the paid up share capital is held by the Central Government or by State Government or Governments or partly by Central Government and partly by State Government or Governments."

The subsidiary of such a company is also a government company. "By state undertakings is meant the industrial commercial economic activity carried on by the Central Government or by a State Government or jointly by the Central Government and State Government, and in each case either solely or in association with private enterprise so long as it is managed by a self contained management" (Khera, 1963, 26).

1.2.1 At the International Centre for Public Enterprises (ICPE) in Yugoslavia, in an expert group meeting a conceptual definition of Public Enterprises was formulated as follows: "A Public Enterprise is an organisation which is owned by public authorities including central, state or local authorities, to the extent of 50 per cent or more; is under the top managerial control of the owning public authorities, such control, including inter alia, the right to appoint top management and to formulate critical policy decisions; is established for the achievement of a defined set of public purposes which may be multi-dimensional in character; and is consequently placed under a system of public accountability; is engaged in activities of a business character; involves the basic idea of investment and returns; and which markets its output in the shape of goods and services" (Patil, 1988, 5).

1.2.2 The definition evolved at a meeting of experts held in Tangiers (1980), at the initiative of the International Centre for Public Enterprises (ICFPE) in developing countries and of CAFRAD (african Training and Research Centre in Administration for Development) seemed to be most comprehensive. According to them, "an enterprise is public when the state or any other national, regional or local authority holds at least 50 per cent of its capital; it is under state control and reports to the state; and its objectives are of public or multidimensional nature. The multidimensional aspect pre-supposes financial investments, marketing of products and services, financial returns, a system of business accounts and a social return which the enterprise must account for" (Dietrich 1983, 147).

1.3 ORIGIN AND RATIONALE OF PUBLIC ENTERPRISES IN INDIA

The public sector has a special and more significant role to play in a developing country like India, having a mixed economy where planning is playing a key role. The birth of the public sector in India took place in the third and fourth decades of the 19th Century. But the entry of the public sector on the economic scene is a post independence development. When India launched its

programme for planned economic development, it was obvious that the private sector, for what it was worth then, would never be able to mobilise the required funds or resources to take risks involved in large investments with long gestation periods. Therefore, it was decided that direct participation of the public sector in the national economy was a must, especially in the capital intensive areas. It was a pragmatic compulsion to deploy the public sector as an instrument of self-reliant economic growth. The philosophy and programme of public sector undertakings are incorporated in the Industrial Policy Resolutions of 1948 and 1956. The idea that in the economic development of the country, state enterprises would play a predominant role took deep roots with the declaration of the Industrial Policy Resolutions of 1948 and 1956. The idea that in the economic development of the country, state enterprises would play a predominant role took deep roots with the declaration of the Industrial Policy Resolution in 1956 and the adoption of the socialist pattern of society. The Resolution stated: "The adoption of the socialist pattern of society as the national objective, as well as the need for planned development requires that all industries of basic and strategic importance, or in the nature of public utility services, should be in the public sector. Other

industries which are essential and require investment on a scale which only the state, in present circumstances, can provide have also to be in the public sector. The state has therefore, to assume direct responsibility for the future development of industries over a wider area". The Directive principles of state policy, contained in the constitution also require the state to ensure that the ownership and control of the material resources of the community are so distributed as to subserve the common good; that the operation of the economic system does not result in concentration of wealth and means of production to the common detriment. Therefore, for the achievement of planned and rapid economic development, industries in which the scale of investment is high, where the investment is highly risky and uncertain, and which are in the nature of basic and strategic importance have been assigned to the public sector.

1.4 GROWTH AND KEY PROBLEMS

A study conducted by the Confederation of Engineering Industry (The Economic Times, 1991, 7) revealed that public sector units in India which had scaled commanding heights in the economy has made rapid strides in diverse fields during the last four decades with a total

investment of Rs.99,315 crores till December, 1990. The study shows that these public sector units accounted for a total production of Rs.99,497 crores in 1989-90. Way back in April 1951, the country had only 5 public sector units with a total investment of 29 crores, it had grown to 244 units in 1991. The gross profit of public sector units aggregated Rs.10,623 crores in 1989-90 and the manufacturing sector accounted for 76 per cent of it.

1.4.1 Public enterprises occupy an important place in the national economies of most of the countries of the world. But the key problem of the public sector, particularly in all developing countries, is raising efficiency. "Only when the public sector operates efficiently and profitably and makes a decisive contribution to the domestic accumulation fund, does it show its advantage over the private capitalist sector and ensure the fulfilment of the cardinal tasks of independent development (Tyulpanov, 1969, 271). Notwithstanding the fact that public sector aims not merely at commercial benefits, it has to be admitted that unless public enterprises make a profit the public sector will be unable to provide its own base for reproduction and to perform the functions assigned to it. Multiplicity of objectives and

lack of clarity about the role of public enterprises are seem to be the main problems. "Many of the problems that afflict public sector enterprises have their origin in the multiplicity of objectives and the lack of clarity about the rationale of public ownership. The lack of clarity about the role of public sector enterprises has resulted in a lack of direction" (Kohli, 1990, 52).

1.5 ORIGIN AND GROWTH IN KERALA

A perspective for planning the public sector industries in an individual state of the Indian Union could begin with a historical background of the development of its industrial sector and locating that experience in the larger context of the forces determining the process of industrialisation in the nation as a whole. This would be true in particular for a state like Kerala, which during India's long colonial history, was in past indirectly under colonial paramountancy, though isolated from its most adverse consequences, and in part integrated into the exploitative nexus of colonialism, though much later than the eastern and northern parts of the country (Kerala State Planning Board, 1989).

1.5.1 At present, almost all state governments in the country assume the role of entrepreneurs in one form or

other for the socio-economic development of the country, supplementing the private and Central Government investment in the state regions. But the public sector in Kerala has a much longer history than that of India in general. Kerala started her experiments with public enterprises right from the middle of the 18th Century with the introduction of the monopoly of trade in pepper, tobacco, manufacture of salts and postal system which were under the control of the State of Travancore. The industrial development in the princely state of Travancore and Cochin was not part of any all India effort (Pillai, Gangadharan, 1980). But the early industrialisation in the region was concentrated in its southern parts, where the effects of colonial domination were moderated by the existence of independent princely states.

1.5.2 From 1951 onwards industrial policy in the state was based on the Five Year Plans of the Government of India. But at the commencement of the First Five Year Plan, the foundation was already there for the development of state enterprises in Kerala. The growth of public enterprises was not encouraging during the first two five year plans due to political instability. But there was some drastic change after the Third Five Year Plan. The

early momentum could not carry forward due to paucity of resources. But some people are of the view that "Resources in wrong hands and not resource constraint is the problem with Kerala Public Sector Enterprises" (Mathew, 1990, 1349).

1.5.3 At present the state public enterprises have emerged as a vital instrument or public policy for meeting the development objectives in Kerala. "Among the states in India, Kerala has the largest number of state public enterprises though it ranks only third after Uttar Pradesh and Andhra Pradesh in terms of investment" (Kerala State Planning Board, 1989, 23). "A tendency to create development corporations for those activities which were earlier carried out by the normal departmental administration has thus characterised the growth of state level public enterprises" (Bhandari, 1976, 103). There has been a rapid growth in the number as well as investment in the public enterprises in Kerala since the seventies with the support of the government. (Table 1.1).

1.5.4 The public enterprises in Kerala occupy a very important role in the socio-economic set up of the state. They provide industrial infrastructure and help the rapid economic development. But most of the enterprises have

Table 1.1
 Number and classification of public sector units in
 Kerala as on March 1991

Sector No.	Sector classification	No.of Units
1	Developmental and infrastructural agencies	10
2	Ceramics and refractories	6
3	Chemical industries	11
4	Electrical equipment	5
5	Electronics	10
6	Engineering	11
7	Plantation and agrobased	12
8	Textiles	4
9	Wood-based industries	3
10	Traditional industries	7
11	Trading units	3
12	Welfare agencies	7
13	Public utilities	5
14	Others	10
Total		104

Source: Bureau of public enterprises, A Review of Public Enterprises in Kerala 1990-91, Government of Kerala, Trivandrum

been running at a loss. Of the working 98 units under review 58 units incurred loss and only 29 units made profits during 1990-91, while details for 11 units were not available (Bureau of public enterprises, 1992). "The lack of financial autonomy is identified as the major factor in loss making but simultaneously its impact is felt in other major aspects of performance such as management, marketing, technology, inter-industry linkages etc., which in turn make the enterprise non-viable (Pillai, Mohanan, 1990, 2).

1.5.5 Abysmally low or negative productivity and profitability have been crucial characteristics of the public sector enterprises as a whole in Kerala. In another study Pillai, Mohanan (1990) pointed out that material and labour costs have been the major factors contributing to an overall escalation of costs; provision of employment being a crucial social objective of the public sector, a high component of labour costs cannot altogether be considered undesirable. "But before arriving at any inference in this regard one has to examine the structure of wages. Since the total wage payments are spread over a progressively large number of employees, it is desirable sign from a social point of view" (Mathew, 1990, 1350).

1.5.6 It is evident from Table 1.2 that public sector have been providing employment to large number of personnel in Kerala. Out of 1,70,772 people directly employed in the public sector in 1990-91, 71,935 (42.12 per cent) were employed in public utilities and 53,528 persons (31.31 per cent) were employed in traditional industries and 23,532 persons (13.78 per cent) in manufacturing industries which accounts for the major employment sources in the Kerala public sector. As far as the percentage of total investment also public utilities accounted for the highest (58.66 per cent) and the manufacturing industries together accounted for the second highest (22.92 per cent), whereas traditional industries investments accounts for only 1.71 per cent. The investment employment ratio were highest in development and infrastructural sector (10.61 per cent) and lowest in traditional industries (0.11 per cent).

1.5.7 Table 1.3 shows the employment and investment details of manufacturing public enterprises only. Out of the seven various categories of industries under the manufacturing sector, chemical industries not only account for the highest investments 31741.97 lakhs (40.18 per cent) in 1990-91, but also stands highest in the investment employment ratio (4.22 per cent). On the other extreme, wood-based industries account for the lowest in investments

Table 1.2

Sector-wise employment distribution and the investment-employment ratios of the public sector enterprises in Kerala as on March 1991

Sector	Employment Nos.	Percentage of total employment	Investment (Rs.lakhs)	Percentage of total investment	Investment-employment ratio
Development and Infrastructural	4286	2.51	45457.41	13.18	10.61
Ceramics and Refractories	1475	0.86	2752.25	0.80	1.87
Chemicals	7516	4.40	31741.97	9.21	4.22
Electricals	3584	2.10	11989.20	3.48	3.35
Electronics	3869	2.27	16280.95	4.72	4.21
Engineering	3226	1.89	11022.70	3.20	3.42
Plantation and Agro-based	14392	8.43	7462.08	2.16	0.52
Textiles	2986	1.75	4253.13	1.20	1.39
Wood-based	876	0.51	1082.74	0.31	1.24
Traditional	53528	31.34	5892.70	1.71	0.11
Trading	2732	1.61	1866.60	0.55	0.68
Welfare	275	1.61	1866.60	0.55	0.68
Public utilities	71935	42.12	202260.38	58.66	2.81
Others	92	0.05	717.79	0.21	7.80
Total	170772	100.00	344824.16	100.00	2.02 (Average)

Source: Bureau of public enterprises, A Review of Public Enterprises in Kerala 1990-91, Government of Kerala, Thiruvananthapuram.

Table 1.3

Employment distribution and the investment-employment ratios in the various categories of manufacturing public enterprises in Kerala in 1990-91

Category	No.of employees	Percent- age of total employ- ment	Investment (in lakhs)	Percent- age of total invest- ment	Invest- ment employ- ment ratio
Electricals	3584	15.24 (2.10)	11989.20	15.18 (3.48)	3.55
Electronics	3869	16.47 (2.27)	16280.95	20.59 (4.72)	4.21
Engineering	3226	13.72 (1.89)	11022.70	13.96 (3.20)	3.42
Ceramics and Refractories	1475	6.25 (0.86)	2752.25	3.75 (0.80)	1.87
Chemicals	7516	31.93 (4.40)	31741.97	40.18 (9.21)	4.22
Textiles	2986	12.69 (1.75)	4153.13	5.23 (1.20)	1.39
Wood-based	876	3.70 (0.51)	1082.74	1.35 (0.31)	1.24
Total	23532	100.00 (13.78)	79022.94	100.00 (22.92)	2.81

Figures in parentheses denote percentages.

Source: Bureau of public enterprises, A Review of Public Enterprises 1990-91, Government of Kerala, Thiruvananthapuram.

1082.74 lakhs (1.35 per cent) and lowest in the investment-employment ratio also.

1.5.8 Table 1.4 reveals the sectoral distribution of employment in the manufacturing public enterprises in Kerala as on March 1991. The number and percentage of employees and executives were highest in the Electronics category which comes to 21.32 per cent whereas it is the lowest in Textiles which is only 2.24 per cent. Like the case of investment, in the employment aspect also chemical industries provide the maximum employment (26.40 per cent) and wood-based industries the lowest (3.98 per cent).

1.5.9 Table 1.5 shows the share of executive salaries and salaries of workers in the Kerala public sector enterprises. It indicates that there is wide variation in the share of executive salaries. The share of executive salaries in the total wage bill is considerably high in certain categories of enterprises.

1.6 PUBLIC ENTERPRISES--A MODEL EMPLOYER

The public enterprises as creations of the government, should play the role of 'Model Employer', and try to eliminate the disparity in earnings of their employees. Public enterprise have come to provide employment to a large number and variety of technical administrative, supervisory and managerial personnel. In

Table 1.4

Sectoral distribution of employment in the manufacturing public enterprises in Kerala as on March 1991

Sectors	No.of employees	No.of executives	Total	Percentage of total employment
Electrical	3422 (92.21)	289 (7.79)	3711	16.81
Electronics	3048 (78.68)	826 (21.32)	3874	17.55
Engineering	2959 (89.00)	364 (11.00)	3323	15.05
Textiles	2919 (97.76)	67 (2.24)	2986	13.53
Ceramics	1425 (96.68)	49 (3.32)	1474	6.68
Chemicals	5384 (96.68)	442 (3.32)	5826	26.40
Wood-based	850 (97.03)	26 (2.97)	876	3.98
Total	20564 (9.80)	2063 (9.20)	22070	100.00

Figures in parentheses denote percentages.

Source: Bureau of public enterprises, A Review of Public Enterprises 1990-91, Government of Kerala, Thiruvananthapuram.

Table 1.5

Salaries of executives and workers in various groups of public enterprises in Kerala as on March, 1989

Industry group	Salaries Executives (per cent)	Salaries Workers (per cent)
Electronics	27.03	63.74
Engineering	28.83	56.85
Chemicals	19.85	54.92
Textiles	6.61	83.41
Electricals	16.20	65.62
Ceramics & Refractories	9.79	67.96
Plantations & Agrobased	17.05	52.03
Wood-based	9.43	65.84
Traditional industries	7.34	64.90
Trading units	19.81	31.53
Welfare Agencies	11.69	9.15
Public utilities	14.40	47.27
Others	46.93	19.54

Source: Economic and Political Weekly, June 1990, 1349.

India, it has become a policy matter as the public enterprises was thought to be a panacea to bridge the wide gap between the haves and have-nots (Venkatarathnam and Bhaskar, 1985). Therefore, the arbitrariness in the disparities in the levels should be eliminated if there has to be any kind of rationality in the income distribution. The public sector as the Model employer is expected to take the first step in this regard. But, unfortunately the modern concepts of personnel management have not found favour with the public sector enterprises. The remuneration policy, in particular, is based on traditional, unscientific and irrational lines which proved detrimental to the very interests of public enterprise personnel.

1.7 HUMAN RESOURCE MANAGEMENT IN PUBLIC ENTERPRISES

Human resources are today universally acknowledged as the most valuable asset in any organisation. They are no longer considered as problems and costs; instead recognised as a resource, opportunity and strength. However, at the same time, the people resource is least utilised (Bhatia, 1980). Personnel management has been recognised as an integral function of management all over the world. In any organisation management's task is to

develop and co-ordinate the willing efforts of employees in accomplishing organisational aims. This is just as true in public enterprises and non-profit organisations as it is in private enterprises. The achievement of the purpose of the enterprise involves the co-ordination of a number of basic functions such as sales, production, procurement, finance etc. All these functions are carried out by people and therefore human resource management is an integral part of all other functions in an organisation. "Many types of resources are necessary to manage an industry: Capital, Technology, goodwill etc. But the mere existence of these resources is not a sufficient condition for entrepreneurial activity. It needs human resources to make them come alive (Shah, 1990, 1). In fact, the importance of managing human resources is considered so great that some people considered management as synonymous with personnel management. "Human relations job that functions through several major activities and that human relations is ... the beginning and end of the management job" (Lawrence, 1956, 19).

1.8 REMUNERATION POLICY

Effective human resource management requires the development of practical and consistent personnel policies

that are understood by all concerned. Of the various personnel policies, remuneration policy is considered as the most important aspect in personnel management. "Scarcely any subject is as important to all levels of employees as is financial remuneration" (Strauss and Sayles, 1968, 277).

1.8.1 A rationale remuneration policy is essential for proper economic development and distributive justice. However, in many countries, one may not find a positive approach towards the evolution of a rationale remuneration policy. Positive governmental action implies making of systematic efforts including statutes, rules, orders and other actions to regulate the pattern and structure of remuneration with a view to achieving the objectives of social and economic policy.

1.8.2 Glaring inequality in income among people is a global phenomenon. "The income gap between the richest and the poorest is startlingly wide and at a global level the contrast is even starker and getting worse year by year (Human Development Report, 1992, 34). In a developing country like India, the instrument of taxation alone is considered ineffective in reducing disparities in income and wealth and a variety of other redistributive measures

are required. The ultimate aim of economic planning is to reduce the differences between the have and have-nots. To build up a free and just society is visible in the objectives enshrined in the preamble to our Constitution. Creation of a new socio-legal order in which justice-political, social and economic is secured to all citizens was one among the objectives. This objective may be deemed to be the central core of our Constitution. Political and social factors do not operate in complete disregard of economic realities" (Wootton, 1962, 161).

1.8.3 In organisations also a good remuneration policy reduces inequities between employee earnings and inter-group friction and raises employee morale. The basic objectives of the remuneration plan of an undertaking are to attract and retain good quality personnel and to motivate them towards good performance. Therefore, the adoption of well conceived, well-designed and well-implemented remuneration system has become imperative for ensuring to attract and retain employees of appropriate attitude and aptitude and also for stimulating and motivating them to discharge their duties and responsibilities effectively and efficiently.

1.8.4 One of the most difficult functions of personnel management in organisations is that of determining rates of

monetary remuneration. It is not only one of the most complex duties but also significant to both the organisation and the employee. "Remuneration function contributes to organisational effectiveness in four basic ways. First remuneration can serve to attract qualified applicants to the organisation. Second remuneration helps to retain competent employees in the organisation. Third remuneration serves as incentives to motivate employees to put forth their best efforts. Finally minimising the costs of remuneration can also contribute to organisational effectiveness since compensation is a significant cost for most employers" (Stone, 1982, 348). Remuneration function is one of the modern management aids, and one which has a considerable influence on staff and staff costs and morale.

1.8.5 Remuneration being a cost of the enterprise, the management's approach would naturally be to keep this cost to the lowest level possible. But an enlightened management has to think in this respect not merely of short run costs but also of long run costs. In other words, costs have to be related to the value of present and future output. "Paying unduly low salaries today may mean a saving in immediate costs. But the future growth and efficiency of the enterprise should not thereby get

affected adversely" (Paranjape, 1964, 99). The basic objectives of the remuneration plan of an undertaking are to attract and retain good quality personnel and to motivate them towards good performance. As rightly pointed out by Pillai Chandrasekaran (1983, 127), "it may be true that every man has his price, and a capable man carries a greater price."

1.9 EXECUTIVE REMUNERATION--IMPORTANCE AND PROBLEMS

The executive group is the king-pin in an organisation, and their decisions significantly affect the employment and allocation of the available resources and the distribution of income. Further, executives of various organisations exercise immense influence on the economic and social life of people in a country. Therefore, the issue of executive remuneration is a matter of great public importance because they affect the efficiency of resource allocation and the distribution of income in a society. Anything that affects executive motivation may have an impact on the allocation and utilisation of resources in the macro and micro level in an economy. On the other hand, executive remuneration cost in public sector has been steadily increasing in recent years and come to a sizeable share of the total cost and too much in proportionate to other labour cost. Again the amount of executive

remuneration in public enterprises affect the distribution of income in the society.

1.9.1 A sound executive remuneration policy reduces inequities between executive earnings, inter-group friction and raises individual morale. "While the blue collar remuneration plans price the job, white collar programmes price the man. Obviously the investment which an executive 'brings to' his job is different from that of other categories of manpower. Likewise the efforts which the former 'puts into' is also different from the inputs of the latter" (Dwivedi, 1984, 186). Executive efforts are directly related to organisational growth and their remuneration is linked with objectives of the organisation. "Job descriptions for managers not only are more important than for clerical or hourly workers, they are also more difficult to prepare because the supervisor is given "areas of responsibility" rather than specific work assignments and the procedures follow in accompanying these objectives are not officially prescribed" (Sibson, 1956, 108). Of course the problem associated with executive remuneration are considerable. For developing a theory of management pay most writers rely on empirical observations of the relationship between pay and factors such as company size,

profits and pay roll. One of the main contributors in the field of executive remuneration (Patton, 1961) claims that Establishing realistic value relationships for the responsibilities spun off by the organisational explosion or recent decades alone would challenge the wisdom of a Solomon.

1.10 EQUITY IN EXECUTIVE REMUNERATION

Of all the areas with which the management deal, the remuneration of personnel is perhaps the most difficult and perplexing one, for while it is based upon logical reasoning, it also involves many emotional factors. Since labour is human, certain philosophical and social elements enter into the situation. For example, ideas of justice and equity, of human dignity and degradation come into play. Different societies in various ways and to varying degrees are committed to social justice and the preservation of human dignity and development of human personality. Extreme inequalities in economic and social power which often lead to exploitative behaviour on the part of those who have greater power are viewed as inimical to the accepted social objectives. "Salary administration is essentially the application of a systematic approach to the problem of ensuring that staff are paid in a logical equitable manner for the work they do" (Mcbeath, 1970, 1).

1.10.1 Equity is the extent to which executives think a pay system is fair and equitable. Executives may be dissatisfied if others in a firm or in another community are earning more money for comparable work. To be successful a salary programme for executives must be both fair and competitive, for executive satisfaction depends as much on equity within the organisation as it does on how pay compares with that in other organisations. Both internal equity and external competitiveness are necessary (Sibson, 1956).

1.10.2 Internal equity means that there should be a proper relationship between the salaries of various positions within the enterprise. The internal alignment of rates must be correct. The relative remuneration of an executive are almost as important for him as his absolute remuneration. The external equity means the salaries of executives must be in alignment with the remuneration of other organisations are paying at similar levels. If this external equity is lacking the organisation will not be able to retain its existing capable executives or attract efficient executives from outside.

1.10.3 Unfair differentials in pay lower executive morale and often result in high executive turnover. "There is no

single factor in the whole field of labour relations that does more breakdown morale, create individual dissatisfaction, encourage absenteeism, increase labour turnover, and hamper production than obviously unjust inequalities in the wage rates paid to different individuals in the same labour group within the same plant" (Pigors and Myers, 1965, 479).

1.11 PROBLEMS OF PAY DIFFERENTIALS

Glaring inequality in income among people with the same or comparable skills is a global phenomenon. While there is no dispute regarding the presence of some degree of income inequality in every society, in our society there is a considerable amount of inequality among people with the same or comparable skills. "In our country, quite often, the disparity within the same occupation group is much greater than what might be regarded as legitimate" (Chathopadhyay, Mukherjee and Rudra, 1989, 875). This inequality in salary income is much more important than the inequality in income among people of unequal levels of skill, education and experience. When this inequality exists within same occupations and similar organisations especially at executive level, the gravity of the problem and its repercussions are too much and may ultimately lead

to unpleasant consequences. "One of the important aspects of the process of wage determination is to establish a comparison with the prevailing wages for the same or nearly same occupations in similar industries located in the same or similar places (Indian Bank's Association, 1969, 7-8).

1.11.1 In the Kerala manufacturing public enterprises also, there is considerable amount of economic inequality existing among executives with same or comparable skills. The reward system in the public enterprises are mostly hierarchical in nature. It neither encourages individualistic or mutualistic reward system (Reddy, 1990, 14). When this problem of salary income disparity exists in public sector enterprises and that too in the same occupation groups, it may lead to dispute and affects the morale and motivation of executives and ultimately resulted in inefficiency.

1.11.2 It is to form an idea about this aspect of economic inequality, that it is decided to focus attention on the disparities of income from salary sources among executives in the inter and intra-enterprises and also to make an attempt to develop a criteria for the determination of remuneration in the Kerala manufacturing enterprises.

Chapter 2

SURVEY OF LITERATURE

2.1 There never has been an organisation that has not encountered the dilemma of evaluation of executives for remuneration. Nor has been there ever an executive who has not grieved for not being fairly evaluated for remuneration, be it subjectively or scientifically. Therefore, the unending search for that magical formula for measuring an executive continues. But inspite of its importance and considerable interest and concern expressed by various interested groups such as employees, executives and their associations and the Government, scientific and systematic studies on executive pay and their determination so far reported in India are very few.

2.1.1 The remuneration of executives does not fall into any known theories such as subsistence theory, Wage Fund Theory, Marginal Productivity Theory and the Investment Theory etc., and is not applicable fully to the executives. because the white collar employees are treated differently. For the workers (blue collar) the job or the output is priced, for white collar the man is priced in his ability, training, personal qualities etc. Therefore, this survey

is not intended to trace the entire history of evolution of Wage Theory; instead only a review of previous research and theories in the area of executive remuneration has been attempted. Since the subject of the study is subtle, delicate, sensitive and complex, a comprehensive survey has been made with a view to present an integrated picture of the different facets of executive remuneration and also to provide a proper perspective of the topic of study.

2.1.2 For the sake of convenience and clarity the fragmented literature (theories and studies) available on this subject has been classified according to the view points of the equity theorists, the social scientists, the administrative theorists and the Economic theorists.

2.2 THE EQUITY THEORIST'S VIEWPOINTS

The equity theory proposes that individuals who perceive themselves as either under-rewarded or over-rewarded will experience distress, and that this distress leads to efforts to restore. Sibson (1956) pointed out: "To be successful a salary programme for executives must be both fair and competitive, for executive satisfaction depends as much on equity within the organisation as it does on how pay compares with that in other organisations.

Both internal equity and external competitiveness are necessary". But Andrews and Henry (1963, 29) are of the view that ".... at a given level of management, over-all satisfaction with pay was more highly related to the similarity between the pay of managers in other companies than to the similarity between their pay and the average pay of other managers in their own company."

2.2.1 While studying the inequity problem in executive remuneration Patchen (1961) found that reactions of perceived inequity of pay is not limited to given time but extends to perception of future through possible inequity arising. Patchen empirically verified this by interviewing individuals in Canadian Oil Refinery to name two comparable employees whose remuneration was different, though in fact it was not. Then feeling for dissonance was expressed in terms of other related factors like education, security and skill.

2.2.3 Homans (1961) studied the relationship between distributive justice and satisfaction and found that in a state of inequity the person at an advantage feels guilty and the person at a disadvantage feels angry--the threshold for anger being lower than guilt. Both over-compensation

and under-compensation distinct from what is regarded as equitable, cause tension. This has been quantified by Jacques (1961) on the basis of his studies. Jacques is of the view that a divergence of more than ten per cent from what is regarded equitable generates disequilibrium and a divergence of more than twenty per cent creates an explosive situation. At the same time it must be mentioned that it is not easy to measure what is regarded as equitable. Zaleznik and Roethlisberger (1968) have tried to apply Homan's postulate for empirical evidence by constructing satisfaction index but findings were random rather than patterned. It would also be because of inadequacy of index construction.

2.2.4 Another way of measuring equity is through a process of comparison between relevant inputs and desired outcomes. Porter and Lawler (1968) have attempted to develop a technique to measure both inputs and outcomes in organisational settings. Building up from earlier works Adams (1965) postulates: "Inequity exists for person whenever he perceives that the ratio of his outcomes to inputs and the ratio of other's inputs are unequal. This may happen either (a) when he and others are in a direct exchange relationship or (b) when both are in exchange

relationship with a third party and the person compares himself with others. The values of outcome and input, are, of course as perceived by the person. On the whole the empirical support for his theory is gratifying. But for more refined predictions to be made from the theory, theoretical, methodological and empirical works are also required in at least two areas related to it. First, additional thought must be given to social comparison processes. Second psychometric research is needed to determine how individuals aggregate their own outcome and inputs and those of others.

2.2.5 Husman, Hatfield and Miles (1987) propose that reactions to equity/inequity are a function of individual's preferences for different outcome/input ratios. They describe a new construct and it is delineated through a series of prepositions. Four propositions capture the objectives of the theory. First, individuals evaluate their relationships with others by assessing the ratio of their outcomes from and inputs to the relationship against the outcome/input ratio of other persons. Second, if the outcome/input ratio of the individual and others is perceived to be unequal, then inequity exists. Third, the greater the inequity the individual perceives the more

distress the individual feels and fourthly the greater the distress an individual feels, the harder he or she will work to restore equity and reduce the distress.

2.2.6 Yet another perception of equity (Hills, 1980) can arise by use of chronological standards of relative improvement over previous earnings. However, he has found that it is not possible to treat internal and external referents as mutually exclusive choices because both comparisons are made and it is possible that people reduce dissonance by accepting the referent which is least discomforting.

2.2.7 Timothy and Angelo (1990, 497) are of the view that "The research that has been conducted has tended to focus on basic questions of reactions to under and over-payment inequity; while many other aspects of the theory have been ignored and merit additional research". But it may be noted that by reducing inequities between executive earnings, a good salary administration programme raises executive morale and reduces inter-group friction. As Husband (1976, 1) rightly observed "Inequitable payment lies at the root of a large proportion of our industrial disputes".

2.3 SOCIAL SCIENTIST'S VIEWPOINTS

The recent studies by the Social Scientists emphasised the complex nature of human beings but the earlier research made little distinction between individuals. The Social Scientists viewed the executive as an individual with needs, drives and motivations. Herzberg and Synderman (1959) postulated that economic rewards may only remove impediments to job satisfaction. The value of money is explained as an instrument leading to both the avoidance of economic deprivation and the avoidance of being treated unfairly. They emphasised the importance of the job content factors (achievement, responsibility and challenging work etc.) for motivation. Vroom (1964) and Gellerman (1963) also stated that money has no value for motivation, unless it symbolises some other goals. When it symbolises some other goals it assumes considerable amount of motivational power. McGregor (1960) according to his famous 'Theory X', states that man is inherently lazy and work does not give any satisfaction to him. There is clear difference between individual goals and organisational goals. Therefore, majority of individuals are motivated by 'money factor'. In this model, executive remuneration is expected to reflect the position of status and power. Sinha (1974) pointed out that many persons work today not

because work offers any pleasure, but because there is no other way of earning a living. Ganguli (1964) and Kapoor (1968) in their findings conclude that about 25 per cent of the employees is in the dissatisfied range and only 30 per cent in the satisfied group, leaving the rest 45 per cent in the indifferent group.

2.3.1 The importance of other factors besides economic rewards was put forth by Maslow (1972). He explained motivational dynamics in terms of the hierarchy of human needs. Maslow postulated that individuals seek gratification of their needs in sequential order, that is, they do not seek gratification of higher needs (growth, challenges, autonomy, self-actualisation) unless their lower order needs (physiological, safety etc.) are reasonably well satisfied, they increasingly seek opportunities for self-actualisation, freedom to be creative and autonomy. This approach is criticised primarily because there is a simultaneous operation of all the needs. McClelland (1961) criticised this approach by stating that there is no definite pattern of need hierarchy.

2.3.2 Kulkarni (1973) compared relative importance of ten job factors for white collar employees. The findings

establish the importance of intrinsic factors over extrinsic ones. Lahiri (1973) in his study concludes that autonomy, responsibility, promotion and growth opportunities are assigned higher priority by the Indian managers. Many of such studies in India have shown that money is not a high-ranking motivator for Indian managers. In a study by Prabhu, Singh and Vanjour (1975) salary was ranked only 'fifth' in priority. In a later study Saiyadain and Monappa (1977) also showed that only 33 per cent of managers choose their jobs for salary, whereas the remaining give high value to advancement, stability, opportunity to use skill etc. Many other studies Sawlapurkar (1968) Laxminarain (1971), Pestonjee and Gopa (1972), Saiyadain (1977) have also highlighted the importance of non-economical motivational factors among Indian managers.

2.3.3 But as against this view Opshal and others (1966) pointed out that it is self-evident that satisfaction with pay is an important element in our job satisfaction. Yet the evidence relating to the importance of pay in job satisfaction is surprisingly conflicting, with some studies apparently showing that pay is of little importance in relation to one's job satisfaction. As rightly pointed out

by Gruneberg (1979, 56) "The reason for the difference between actual and reported importance of money might well be due to people distorting their replies to questionnaires. It may well be for example that many individuals do not think it 'proper' to admit that their main 'motivation' for working is financial rather than for the intrinsic interest of the job itself."

2.3.4 Of central importance to an understanding of satisfaction with pay is the question of what factors are associated with pay satisfaction. Lawler (1971), after examining the literature, concluded that factors such as education, skill, job performance, age, seniority, sex, organisational level, time span, non-monetary outcomes, amount of pay and payment method were all associated with satisfaction with pay.

2.3.5 In a recent study (1991) Kalra empirically proved that along with 'growth opportunity' and job satisfaction salary and financial benefits was one of the important considerations of middle and junior level managers for changing the job. This suggests that 'salary' still seems to be an important motivator for middle and lower level managers. Anand (1969) also studied the level and forms of

executive compensation in the context of executive satisfaction and concluded that money served as a powerful motivator at executive level. He also found a positive correlation between academic performance and the salary.

2.3.6 Fazal and Nigam (1967) studied the remuneration patterns in public sector companies. This study revealed the need to bridge the gap in the remuneration of public and private sector executives. They suggested production incentives, profit sharing and performance appraisal systems to improve managerial performance in the public sector. Truell (1973) laid down six important factors for inducing motivation. However, all these factors are basically non-economic in nature. McClelland (1976) advocated power as a motivator. He postulated that the need to influence others' behaviour was a significant motive among managers and that it made them more effective.

2.3.7 Sreevasthava (1985) also studied the relationship between motivation and productivity. According to him motivation of personnel is vital for the success or failure of an organisation. His conclusion was that lack of executive motivation can lead to a setback in productivity and unhealthy trends. Davar (1969) made a schematic

presentation regarding the study of motivation from a business viewpoint, with the object of securing and maintaining optimum performance, irrespective of the level of the employee under consideration. Performance is a function of an individual's ability, knowledge and motivation, depicted schematically as $p = M (A+K)$. The performance of ability (A) and knowledge (K) does not by itself guarantee that the individual will put forward his best effort. There is another factor - motivation (M) which helps determine the effect which can reasonably be expected from him. This can be said to comprise of incentives (I) and disincentives (DI). This can be portrayed as $M = I-DI$. The combinatorics of the above two presentations result in $P = (I-DI) (A+K)$.

2.3.8 Austin (1962) divides 'incentives' and 'disincentives' into external and internal. Examples of external incentives are stock options bonuses or profit sharing, early retirement or threat of punishment and of internal incentives are the "kind which is created by the executive himself, which walls up from within", (eg. personal ethics, ambition for power or material gain etc.). He presents examples of 'external disincentives' as laziness etc. He however, points out that one man's 'incentives' may

be another man's 'disincentives'. Thus to provide the right incentive, it may be necessary to study the executive's personal motivational theory, which is a combination of the reception accorded by his parents and peers, his past success and failures and his notions of the reward he deserves.

2.3.9 In their survey, Lawler and Porter (1963) found that when pay was held constant, there was no difference at various levels in the importance that managers attached to pay. On the other hand when the management level was held constant higher-paid managers gave less importance to pay than lower-paid managers. The survey found that pay is important at higher as well as lower levels of management although higher level managers attached slightly less importance to money. In another opinion survey Andrews (1963) and others found that young and well-educated managers and those with low morale preferred pay to security and other benefits, while the older and less educated and those with high morale preferred security and other benefits to pay.

2.3.10 The studies from the point of view of equity by theorists and sociologists cited above revealed that if appropriate conditions are created, more money can lead to

more effort even on a continuing basis. The problems of human motivation is so complex and delicate that almost every individual differs from others in one way or other.

2.3.11 From the foregoing discussion it is clear that in the area of motivation enormous work has been done. Most of the researchers have noted the role of non-economic factors in inducing motivation and commitment to work. However, in our country the controversy regarding intrinsic versus extrinsic rewards still continues.

2.4 THE ADMINISTRATIVE THEORIST'S VIEWPOINTS

According to the administrative theorists, different remuneration systems are considered appropriate for different types of organisations and is expected to support the structure and strategy of the organisation. According to the classical administrative theorist Chester Bernad "Lack of appropriate incentives is the most significant cause of executive failure." However, Greenewalt observed (1959, 36) "Not all people will respond to the same stimuli. Some are powered by compulsive or obsessive drives which are sufficient unto themselves and eliminate all need for external influence.... others may be sufficiently inspired by the

well-being of the organisation with which they are associated; still others by the fulfilment of a self-imposed responsibility ... People differ as much in their needs and their situations as they do in their physical dimensions and generalities concerning them are as unserviceable as shirts made in one standard size."

2.4.1 Salter (1973) argues for a linkage between incentive compensation and corporate strategy in order to influence executive behaviour towards the furtherance of corporate goals. According to him there are four aspects of corporate policy such as short run vs. long run goals, risk-taking, inter-divisional relationships, and company-division relationship; and six elements of incentive plans--financial instruments, performance measures, degree of discretion in allocating rewards, size and frequency of rewards, degree of uniformity and funding. Dearden (1972) also reported that difference in strategy have an important bearing on the basis for determining division manager's bonuses. In Conglomerates, division manager's bonuses were related to divisional profitability, while divisional profitability would be an unsatisfactory basis for calculating bonuses in a dominant product company. Schleh (1961) also recommends linking of payment by results, and

stresses the need for articulating job goals, job behaviours and their correlation with remuneration.

2.4.2 Haire (1965) is of the opinion that correlations between salary levels either decrease or have no pattern over a period even in companies that have incentive scheme for executive, nullifying incentive character or remuneration raise. Though his study is limited to two national companies to generalise, it is reflective of wider prevalent knowledge that incentive schemes do not always provide incentive unless reviewed continuously. Fleishman (1958) finds that incentive schemes improve performance of high-ability individuals in complex co-ordination tasks more than those of lower ability. Though restricted to non-managerial functions and primarily arrived at productivity, findings definitely provide indication for adoption in relation to remuneration of manager whose tasks are presumed to be of complex co-ordination and incentive-based remuneration. Another scholarly view is expressed by Medoff and Abraham (1981) by stating that performance plays a substantially smaller role in expanding cross-sectional experience earnings differential and earnings growth than is claimed by those who have adopted the human capital explanation of the experience-earnings profile. If an

experimental design is taken as adequate for their task, we must formalise theories of experience-earnings differentials that do not have experience-productivity differentials at their heart, then design tests of those and finally gather the data required for such tests reinforcing that if remuneration incentives of even managerial and professional employees is to be linked to performance appraisal, there is need to re-examine productivity and performance rating theories/practices.

2.4.3 Redling (1972) studied the quantifying relationships between remuneration and demographic variables (ie., years in position) but no positive correlation has emerged. Results based on multiple regression analysis indicate that the reasons for differences in total compensation between apparently similar jobs are more subtle than had been thought. Practice of relying on single indicators (ie., years of experience/years in position etc.) will result in a limited and unrealistic approach to compensation administration. But the data presented by Redling was relatively from small sample size and with reluctance to reveal proprietary information. Therefore, at best the author's findings could be considered only as of exploratory nature.

2.4.4 Murthy (1977) studied the relationship between executive reward and Corporate Strategy. He examined the year to year variations in remuneration in relation to similar variations in the corporate performance, the levels of compensation, the emphasis on stock options and the differential between the chief executives remuneration and the second ranking executive. He concluded that the relationship between compensation and corporate performance measured by the return on equity and the earnings per share was found to be very weak and this lack of linkage was attributed to both the strategy and unsystematic compensation procedures.

2.4.5 In a later study Balkin and Gomez-Mejia (1990) examined the impact of organisational strategies at both the Corporate and Business unit level and their interactive influence on the effectiveness of the compensation systems. Their empirical findings based on survey responses suggest that there are two major strategic patterns of compensation decisions. First corporate strategy was a significant predictor of pay package design and pay level relative to the market and pay administration policies. Secondly, business unit strategy was a significant predictor of pay package design and pay level

relative to the market. From this study it appears that the use of incentives to complement a lower salary and benefits level accompanied by flexible and less formalised pay policies and procedures with an emphasis on performance, seems to work best for single product firms and SBU's at the growth stage.

2.4.6 N.A.Berg (1969) found significant differences in the organisational climate and compensation systems for executives between Conglomerates and diversified mergers. The author pointed out that Conglomerates tend to develop an organisational climate and compensation system designed to attract competent people and to motivate them to expand and improve their own operations in both the short and long run. Normbum and Miller (1981) are of the opinion that where management changes occur through mergers and acquisitions, what is required for the diversified portfolio of business is a differentiated system of rewards.... which is not linked rigidly to a unified system of job evaluation. There should be a balance between the systems and that there should be some consistencies between them is of course undeniable. It may be noted that though this study brings out mismatch aspect well, it does require more of empirical evidence to prove change.

2.4.7 Patton (1972) has analysed the relationship between compensation systems and industry characteristics. He arranged industries in a spectrum on the basis of the extent of use of incentive compensation. The industries are classified into natural incentive industries (ie., Automobiles, Textiles, Chemicals, Pharmaceuticals etc.) characterised by numerous short term decisions and have typically decentralised the organisation structure. The marginal incentive industries (eg., Banking Mining, Utilities, Insurance etc.) are characterised by a few long-term decisions and have functional organisational structures.

2.4.8 In a recent study, Weber and Rynes (1991) emphasised the effects of compensation strategy on job pay decisions. The authors investigated how compensation managers from a wide variety of organisations combined information about current job, pay rates, market rates and job evaluation points in order to arrive at new pay rates. The results of their study suggest that both job evaluation and market survey information figure importantly in compensation managers job pay decisions. Organisational demographics (Statistics regarding death, birth, sickness) also affect assigned pay levels, but to a lesser extent than pay strategies.

2.5 THE ECONOMIC THEORIST'S VIEWPOINTS

Economic theorists hold a market approach to executive remuneration. Executive ability, like any other factor of production, has a price which is determined by the interaction of the supply of and the demand for such ability. The maximum amount that a company is willing to pay an executive is the value of the marginal product of his ability the lower limit being set by the salary which the executive could command elsewhere. The economic theorists view Executive Remuneration as being determined by forces outside any one organisation. Several empirical studies are made to explain variations in executive pay between enterprises and between levels within an enterprise.

2.5.1 Roberts (1959) analysed the executive compensation data for a large number of American firms for the period 1945 to 1950. Using correlation and other statistical techniques, he related total compensation of executives with profit (before taxes, interest and executive remuneration) and sales (as a measure of size) with the conclusion that the level of the top executive compensation was closely related to the corporate size as measured by the volume of sales. Roberts' study revealed that in

larger sales firm executive can contribute more to generate profits. Surmise evolved by Roberts appears to be on the critical model of perfect mobility of executive talent between organisations and only from the point of view of organisations. Dichotomies of difference in executive pay between organisation with similar sales is explained away as arising from market imperfections and discontinuity rather than complexities of contributory factors like technological differences, risk coverage in changing positions inward/upward mobility, difficulties in disengaging etc.

2.5.2 However, in another study Gorden (1945), an entirely different explanation has been given for the existence of remuneration differentials between the top executives of same-sized firms. It is seen from this study that the precise determination of a top executive worth his company is impossible. The activities of the chief executive affect all aspects of the company's operations and the results of his good or bad management are inextricably interwoven with all the other factors which enhance or lower the firms' net income.

2.5.3 The correlation between a firm's size and Chief Executive Officer's pay level is not surprising and has

several logical explanations. Simon (1957) argued that organisations attempt to maintain appropriate salary differentials between management levels and establish these pay differentials not in absolute terms but in ratios. Consequently the assumption that the compensation of CEO's should be greater in large firms because they tend to have more executive levels than small firms is not unfounded. It is consistent with span of control theory that firm size and number of levels are highly correlated. But Simon's study is more of the nature of theoretical analysis based on assumptions of perfect competition in executive market and constants of levels in an organisation and at each level; there is no consideration for complexities even in level-wise remuneration differentials.

2.5.4 What is more intriguing in the literature investigating executive compensation is that, after controlling for size, researchers have not found the relationship between CEO pay and company performance to be as strong or consistent as the classic economic and behavioral theories would imply. After all a fundamental premise of a market system is that the best performers should receive the highest rewards. Yet practising compensation specialists point out that there is little

evidence of a direct pay for performance relationship between top executives compensation and corporate performance (Redling, 1981). In Redling's study, performance was measured by a five year performance ranking that combined earnings growth and return on shareholders equity. Using a randomly selected sample of 25 companies, he correlated each organisation's ranked performance with its base salary growth and with its salary plus bonus growth over 5 years. He found a correlation of (0.16) between base salary increase and firm performance and a correlation of (0.09) between salary plus bonus increase and performance, from which he concluded that there was little indication of the existence of performance contingent pay plans in current top Executive compensation.

2.5.6 McGuire, Chiu and Elbing (1962) computed partial correlations between executive incomes, sales revenues and profits of 45 firms among the largest 100 United State industrial corporations and found that top executive compensation was significantly correlated with sales but not with profits. This study is based upon salary and bonus only and does not take into account other elements of executive compensation. Patton (1966) by using similar techniques concluded that executive compensation was more closely

related with corporate size and growth than with profits. Finkelstein and Donald (1989) presented and tested a model of the determinants of chief executive compensation. Based on a sample from the leisure industry, the study finds that CEO pay has complex links to several factors--firm size, complexity, performance, CEO power, board vigilance, and the CEO's human capital. The study includes a separate examination of CEO salary and bonus.

2.5.7 Performance-contingent compensation is a widely accepted means for rewarding executives, but there are no rigorous empirical tests of its effectiveness. A Time Series Analysis procedure applied by Pearce and others (1985) to organisational performance data available two years before and two years after the implementation of a new compensating system, indicated that the merit pay programme had no effect on organisational performance, suggesting that merit pay may be an inappropriate method of improving organisational performance.

2.5.8 Loomis (1982) also studied the problem to find out the correlation between executive compensation and firm's performance. He plotted 1981 compensation (salaries, bonuses, profit sharing, stock purchase contribution)

against return on stock holders equity, found a less than perfect correlation and moreover highlighted extreme cases of executives receiving relatively large increase in compensation during a period of deteriorating profitability for their firms. Loomis argued that executive compensation in these prominent publicly-held firms should be more directly tied to firm performance. Lewellen and Huntsman (1970) examined the close relationship of top executive compensation to sales and profits on the basis of a cross-sectional study of 50 large firms in United States at 3 years' intervals and found that the relationship is closer to sales than to profits. They deflated their basic equation by net fixed assets to alleviate the problem of a close relationship between profits and sales. The authors concluded that the reported profits and stock market values were much more important than sales in explaining variations in managerial remuneration.

2.5.9 Masson (1971) also concluded in his study that the stock market performance was a more important determinant of executive incomes and the sales maximisation hypothesis did not explain firm behaviour. In contrast to the previous studies, Masson's research focussed on explaining changes in executive compensation rather than differences

in level across firms. The study, in other words, was based on time series rather than on cross-sectional data.

2.5.10 Cosh (1975) studied inter-industry and inter-size class differences in the chief executive remuneration and its relationship with corporate size and profitability. He investigated correlations between log values of CEO's remuneration, rate of return and net assets for each of the 1000 British companies over a period of 1969 to 1971. The author concluded through a non-linear regression model that the CEO's remuneration was more closely related to size than to profitability.

2.5.11 A later study by Auebach and Siegfried (1974) has attempted to reconcile the apparent conflict between the sales maximisation and profit maximisation hypothesis. They have concluded that executive compensation is based on a utility function of both sales and profits. All these studies used correlation and regression techniques on cross-sectional data for a limited number of large firms for time periods varying between 1969 and 1976.

2.5.12 Marris (1967) has explained compensation differentials among managerial levels in terms of the span

of control and predicts a behavioural relationship between compensation and responsibility as measured by the number of subordinates. The proportionate increase in salary between any two levels is proportionate to the differences in the span of control. The analysis of Marris and Simons, however, makes two doubtful assumptions: first that an individual's salary is independent of his abilities and secondly, that it is independent of the number of subordinates interposed between the individual and the bottom level. Berg (1969) takes into account factors of strategy and policies of organisation creating different needs of organisation for managers. He finds that companies that have become larger through mergers and acquisitions in unrelated areas, tend to reward on the basis of economic results more generously than larger companies that have grown through internal expansion and related areas, which tend to be conservative in matters of remuneration and incentive.

2.5.13 In another study Thurston (1968) revealed that Life Cycle of product marketed by an organisation and its market share have bearing on executive compensation. Incentive-based remuneration of executives is more prevalent in growing, risk-taking and involving in

competitive market companies than those with established product line and substantial share of market. The author brings out a significant pre-requisite of incentive oriented remuneration for managers linked the environment. He points out that if there is no competition or growth potential incentives are meaningless.

2.5.14 Murthy's (1975) study focussed the lack of correlation between pay and financial performance; this seems to be most noticeable in companies with one dominant business. In companies purusing a variety of unrelated business, the fluctuations in pay level tend to be greater but they are tied more closely to changes in profit performance.

2.5.15 The above studies are focussed on explaining differences in the levels of executive compensation from the economic stand point. To summarise, in most of the studies, compensation was found to vary more with sales than with profits.

Chapter 3

RESEARCH DESIGN

3.1 INTRODUCTION

The study is undertaken with the object of examining the remuneration pattern of executive personnel in the manufacturing public enterprises in Kerala so as to find out whether there is any rationale or criteria involved in remunerating executives. It is also envisaged to find out the pattern of executive remuneration in the various categories of industries and inter-industry disparities among the public sector enterprises. This is considered to be a very fruitful area for investigation, particularly in view of the generally prevailing notion that public sector executives in Kerala are not remunerated properly and glaring inequalities and disparities are existing among the various categories of industries and within the same industry.

3.1.1 Therefore the study is to explore the criteria used for the determination of executive remuneration and the relative weightage of various factors such as size of the firm, rate of return and sales volume etc. of the

organisation and various other factors such as qualification, experience, level of job and functions of executives. Further the study is extended to find out the role of 'pay' towards motivation and efficiency of the executive personnel.

3.2 STATEMENT OF THE PROBLEM

In a 'Socialistic Pattern of Society' there would be equality of opportunity and justice for all, and therefore reduction in the inequalities in the distribution of income required great attention. At the same time the executives are actually controlling and managing the various enterprises and the bulk of the economic resources through their decision-making. Anything that affects executive motivation or satisfaction was reflected in their performance and any glaring or wide gap between their remuneration and the rest of the employee group would create serious inequalities in the distribution of income in the society. At present there is no established market rate or approximate market rate for remunerating executive services. This is a serious problem especially in the public sector as they are considered as a 'model employer'. Therefore there is the problem of determining how much salary is to be paid to an executive and which are the

important factors for the determination of executive remuneration.

3.3 SIGNIFICANCE OF THE STUDY

The executives are actually controlling and managing the various enterprises and the bulk of the state's economic resources through their decision-making process. Anything that affects executive motivation, morale or satisfaction is reflected in their performance which ultimately leads to create an impact on the allocation and utilisation of resources in the state. Again the problem of remuneration differentials is very serious as it affects the morale and motivation of executives and their efficiency. On the other hand, remuneration cost in public sector has been steadily increasing in recent years and has come to a sizeable share of the total cost and out of proportion to other costs.

3.3.1 Again, contrary to popular impression, little is known about the total pay packet of executives in the inter and intra-industries in the Kerala Public Sector. The amount of executive remuneration in various categories of public enterprises is a matter of great public concern as it affects the efficiency of resource allocation and the

distribution of income in the society. Of course, in other sectors also inequality in remuneration exists but when it is in similar and comparable jobs it is more glaring and its consequences are undesirable.

3.4 NEED OF THE STUDY

The investors, employees and the government all have an interest in the subject. The shareholders want to be assured that remuneration of executives does not amount to an unreasonably heavy burden on the industry's earnings. Executives required a fair return for their effort and responsibilities. The government have a definite stake in keeping executive remuneration in line with wages, incomes, and prices in the country.

3.4.1 The need for research stems from the necessity of an equitable arrangement for all interested groups; this involves the need to evolve a sound and proper criteria for remunerating executive services. Therefore all groups such as employees, executives, shareholders, government and the public need clear and wider understanding of executive remuneration. The method of fixing executive remuneration in the various industries was based on history or old practices and political decisions rather than any proper

criteria on a rational basis. In fact there appears to be no rationale or proper criteria in remunerating executive personnel in Kerala public sector and it undoubtedly affects the morale, motivation and efficiency in their performance. It is due to these reasons that an attempt is made here to explore and find out on what basis the executives are remunerated and which criterion is more prominent and its justification.

3.5 SCOPE OF THE STUDY

The study is directed to broaden the understanding of executive remuneration in the manufacturing public enterprises in Kerala and to make a comparative analysis between the various categories of industries and intra-industry. All the public sector manufacturing enterprises consistently carried out production for the last seven years were selected for the study. The seven years data has been taken just to include the maximum number of units under the purview of the study to make the analysis more comprehensive and meaningful.

3.6 SPECIFIC OBJECTIVES OF THE STUDY

1. To find out whether there is any rational criteria for determining executive remuneration in the public sector manufacturing industries in Kerala.

2. To find out the relationship between the various facets of remuneration such as qualification, experience, level of job, functional areas of executives and their remuneration in the public sector enterprises.
3. To find out whether significant inequalities existing in the remuneration of executives in the intra and inter-industries in the public sector manufacturing enterprises.
4. To explore the relative weightage of various prominent factors such as the size of the organisation (measured by sales volume and number of employees) and the rate of return (profitability) in determining executive remuneration and to find out which criterion is more prominent and justifiable.

3.6.1 In order to achieve the objectives an enquiry was conducted on three main streams. Firstly, primary data was collected through questionnaires in order to gather the relevant information and opinion from executives to test the first two hypothesis. Secondly, the pay scales of the executives at various levels were collected from these

organisations at first hand for the purpose of analysing the inter and intra-differentials in executive remuneration. Thirdly, secondary financial data was used and analysed to assess the relative weightage of all the important factors for the purpose of finding out the most influencing factor which affects the determination of executive remuneration and its justification.

3.7 HYPOTHESIS

1. There is no uniform or rational criterion in remunerating executives in the various manufacturing public enterprises in Kerala.
2. There is no significant relationship between experience, qualifications, level of job and functions of executives and their remuneration in the various enterprises.
3. There is significant inequalities existing in the remuneration of executives in the inter and intra-industries.
4. The size of the organisation has more significant relationship in the determination of executive remuneration than its profitability.

3.8 SELECTION OF STUDY UNITS

All the manufacturing industries in the Kerala public sector enterprises which consistently carried out production activities were selected for the study. As per the review of public enterprises (1992) there were 50 manufacturing industrial units in Kerala as on March 1991. Out of these four units were left out due to either inconsistent performance or stoppage of production. The 46 units selected from the seven categories of industries such as electrical, electronics, engineering, chemicals, textiles, ceramics and wood-based industries were employing altogether 1996 executives as on March 1991.

3.8.1 Although all the selected units were approached for primary data, inspite of all efforts, data were not available from eight units either due to the cold attitude of the chief executives or due to lack of response, from the executives themselves. The details are shown in Table 3.1.

3.9 TYPES OF INDUSTRIES COVERED

The study units finally selected for the secondary data analysis consists of 46 consistently performed manufacturing industrial enterprises in the public sector

Table 3.1

Sample coverage and industrial classification
of enterprises

Sl. Category No.	Total No. of units	No. of units responded	Total No. of executives	No. of executives responded	Percentage of response from each category
1. Electrical Units	5	4	289	48	16.60
2. Electronics	10	8	780	124	15.81
3. Engineering	10	9	421	66	15.67
4. Chemicals	9	8	442	96	21.71
5. Textiles	4	3	67	15	23.38
6. Ceramics	5	4	49	10	20.41
7. Wood-based	3	2	26	7	26.92
Total	46	38	1996	366	18.33

Source: Bureau of Public Enterprises, A Review of Public Enterprises in Kerala, 1991-92, Government of Kerala, Thiruvananthapuram.

from 1984-85 to 1989-90. Of the total 46 units selected 10.86 per cent each from electrical and ceramics categories, 21.73 per cent each from electronics and engineering 19.56 per cent from chemical, 8.69 per cent from textile and 6.52 per cent from wood based industries. The distribution of units is shown in Table 3.2 along with the total number of manufacturing industries in the Kerala public sector as on March 1992.

Table 3.2
Distribution of units on the basis of category
of industries

Category	Selected Units		Total Units	
	No.	Percentage to total	No.	Percentage to total
Electrical	5	10.86	5	10.00
Electronics	10	21.73	10	20.00
Engineering	10	21.73	11	22.00
Chemicals	9	19.56	11	22.00
Textiles	4	8.69	4	8.00
Ceramics	5	10.86	6	12.00
Wood based	3	6.52	3	6.00
Total	46	100.00	50	100.00

Source: Bureau of public enterprises, A Review of Public Enterprises in Kerala from 1985 to 1992, Government of Kerala, Thiruvananthapuram.

3.10 DISTRICT-WISE DISTRIBUTION OF UNITS

The study units were selected from 11 districts in Kerala as shown in Table 3.3. Thiruvananthapuram, Kollam and Thrissur districts constitute 47.83 per cent of the units under the study. No study units could be obtained from the districts of Pathanamthitta, Idukki and Wayanad districts as there were no public sector manufacturing

Table 3.3
District-wise distribution of units

District	No.of units	Percentage to total
Thiruvananthapuram	8	17.39
Kollam	7	15.22
Alappuzha	4	8.69
Kottayam	1	2.18
Ernakulam	5	10.86
Thrissur	7	15.22
Palakkad	2	4.35
Malappuram	3	6.53
Kozhikode	3	6.53
Kannoor	5	10.86
Kasarkode	1	2.18
Total	46	100.00

Source: Bureau of public enterprises, A Review of Public Enterprises in Kerala 1991-92, Government of Kerala, Thiruvananthapuram.

units existed there. It should be noted that Kottayam and Kasaracode districts have the lowest number of manufacturing public sector units.

3.11 DISTRIBUTION OF INVESTMENT

The distribution of capital investment in various categories of industries are shown in Table 3.4. Of the total seven categories of industries chemicals (39.54 per cent) and electronics (21.50 per cent) constitute more than

Table 3.4
Distribution of investment

Category	No.of units	Capital Investments (Rs. lakhs)	Percentage to total
Electrical	5	11989.20	15.84
Electronics	10	16280.95	21.50
Engineering	10	9975.63	13.18
Chemicals	9	29930.97	39.54
Textiles	4	4153.13	5.48
Ceramics	5	2293.36	3.02
Wood based	3	1082.74	1.44
Total	46	75705.98	100.00

Source: Bureau of public enterprises, A Review of Public Enterprises in Kerala 1991-92, Government of Kerala, Thiruvananthapuram.

61 per cent of the total investments. The investments in ceramics (3.02 per cent) and wood based industries (1.44 per cent) are the lowest. Even though the number of chemical industries are less compared to engineering industries, as far as the capital investment is concerned chemical industries share (39.54 per cent) is much more than engineering industries (13.18 per cent).

3.12 DISTRIBUTION OF EMPLOYMENT

Table 3.5 shows the distribution of employment in the various categories of industries. Out of 22520 personnel employed in the Kerala public sector manufacturing industries as on March 1991, 18128 were workers 2396 supervisors and 1996 executives. Of the 1996 executives 1654 were lower level executives and only 342 were higher level executives. The chemical industry employed the maximum number of personnel (30.12 per cent) whereas wood based industries employed (3.88 per cent) the lowest number of personnel. The electronics industries employed the maximum number of executives (39 per cent) whereas ceramics (2.45 per cent) and wood based industries (1.30 per cent) have the lowest number of executives. The details regarding the distribution of employment from 1984-85 to 1990-91 are shown in Annexure V.

3.13 The share of total salaries to executives and workers are separately shown in Table 3.6. There are wide

Table 3.5

Distribution of Employment

Sl. No.	Category	No. of units	Employment No.					Total Executives
			Total No. Workers	Supervisors	Lower Executives	Higher Executives	Total Executives	
1.	Electrical	5	3711 (16.48)	2872 (15.84)	550 (22.95)	245 (14.81)	44 (12.86)	289 (4.48)
2.	Electronics	10	3496 (15.48)	2444 (13.48)	272 (11.35)	743 (44.92)	37 (10.81)	780 (39.07)
3.	Engineering	10	3204 (14.22)	2507 (13.83)	333 (13.89)	236 (14.27)	128 (37.42)	364 (18.25)
4.	Chemicals	9	6784 (30.12)	5506 (30.37)	857 (35.77)	331 (20.00)	90 (26.31)	421 (21.09)
5.	Textiles	4	2986 (13.26)	2745 (15.14)	174 (7.26)	49 (2.96)	18 (5.26)	67 (3.36)
6.	Ceramics	5	1463 (6.49)	1234 (6.81)	180 (7.51)	34 (2.05)	15 (4.38)	49 (2.45)
7.	Wood-based	3	876 (3.88)	820 (4.52)	30 (1.25)	16 (0.96)	10 (2.92)	26 (1.30)
		46	22520 (100.00)	18128 (100.00)	2396 (100.00)	1654 (100.00)	342 (100.00)	1996 (100.00)

Figures in parentheses denote percentages.

Source: Bureau of Public Enterprises, A Review of Public Enterprises in Kerala from 1991-1992, Government of Kerala, Thiruvananthapuram.

variations in the share of executive salaries in the various categories of industries. Table 3.6 reveals that the executives in the engineering industries enjoys the maximum (28.83 per cent) share in the total remuneration while executives in the textile industry received the lowest (6.61 per cent).

Table 3.6

Salaries of executives and workers in various groups of manufacturing public enterprises

Category	Salaries of executives (per cent)	Salaries of workers (per cent)
Electrical	16.20	65.62
Electronics	27.03	67.74
Engineering	28.83	56.85
Chemicals	19.85	54.92
Textiles	6.61	83.41
Ceramics	9.79	67.96
Wood based	9.43	65.84

Source: Economic and Political Weekly, June 1990, 1349.

3.14 DATA COLLECTION--SOURCES AND TECHNIQUES

3.14.1 Primary Data

With the view to prepare a questionnaire and to know about the availability of data, a pilot study

was conducted. Five public sector units from Thiruvananthapuram district and three units from Thrissur district were visited for the purpose. Originally it was proposed to include private sector industrial units to make a comparative analysis and therefore two units in the private sector, one each in Thrissur district and Ernakulam district were visited. But later it was found that the job requirements, job security, responsibilities etc. of the executives in the private sector are entirely different from those of public sector executives and therefore found incomparable. Hence it was left out at a later stage from the purview of the study. During the pilot study the investigator found that a rapport with the personnel managers and or welfare officers is very much essential for extracting genuine and required information, since it was practically impossible to meet the executives personally and to collect the information. Therefore the questionnaire was distributed and collected back through personnel managers or welfare officers of these organisations. Of course there were a few exceptions where the executives personally gave the information required for the study. This was possible in some units where the number of executives was few.

3.14.1.1 During the pilot study the investigator also found that inequitable remuneration in similar companies is an

important factor affecting executive motivation. Since the problem is sensitive, delicate and complex, the executives were approached with four questionnaires in which questions were put in different styles to obtain genuine data for the study. Incomplete and inconsistent answers were rejected for the purpose of extracting accurate information.

3.14.1.2 As already noted the set contains four questionnaires of which the questionnaire No.I (Annexure I) consists of questions related to various facets of executive remunerations such as age, functions, level of job, qualifications and experience. Further, it contains questions about their opinion regarding the 'criteria' for the determination of executive remuneration. In order to gather opinion regarding 'cafeteria approach' of remuneration and 'performance based pay' related questions were also included. Questions related to 'pay satisfaction' and 'job satisfaction' were also included to obtain their free and frank response.

3.14.1.3 Questionnaire No.II (Annexure II) contains a set of factors or a list of eleven goals with explicit descriptions related to an executive's job situation; ranks were to be assigned to these factors according to their

relative importance. For assessing the perception of executives related to 'pay' and equity in remuneration factor No. five was included along with the other goal value profiles of executives. The set of factors have been selected from Bass, Burger, Doctor and Barret (1979).

3.14.1.4 Due to the delicate and sensitive nature of the problem (pay) people may be reluctant to admit that they rank money as a very important factor or more significant than other factors. Therefore in many of the studies related to pay there will be difference between actual and reported importance of money. The reason for the difference between actual and reported importance of money might well be due to people distorting their replies to questionnaires (Gruneberg 1979). In order to eliminate this problem almost similar factors were included in a different style in questionnaire No.III (Annexure III) for cross checking purpose and for extracting genuine opinion and for eliminating distorted and inconsistent answers. The purpose of formulating questionnaire No.III was to extract information regarding the importance the executives gave to pay compared to other factors. Again for assessing the perception of executives regarding 'equitable remuneration for motivation and as a criteria for the

determination of executive remuneration, factor No. one was included in the questionnaire along with the other factors. The factors were selected from the studies of Rosenberg (1957); Rokeach (1968); Narain (1973) and Singh (1979). The final inventory of items was developed on the basis of experiences generated from the pilot study.

3.14.1.5 The Questionnaire No.IV (Annexure IV) contains factors which may be inhibiting the performance and efficiency of executives. This questionnaire was prepared and served to the executives with a view to know how far the inequitable pay policies of these manufacturing enterprises inhibits performance of executives compared to other factors. In order to understand the comparative role of money, the executives were asked to rank in the order of their preference, along with factor related to equitable remuneration other factors such as job security, inadequate communication, undue government interference, relationship with subordinates, lack of consistency in management policies, audit control and lack of autonomy, sloth and bureaucracy, lack of clear definition of responsibility etc.

3.14.1.6 The methodology adopted to measure the ranking factors of these questionnaires are detailed in chapter 4.

Although 800 questionnaires were distributed to the executives at various levels only 429 (53.62 per cent) were received back, out of which only 366 questionnaires were completed and consistent. The pay scales of the executives at various levels of these manufacturing units are also collected at first hand and analysed to find out the intra and inter-differentials in executive remuneration. The methodology adopted to measure the variations in executive remuneration of these organisations is detailed in chapter 5.

3.14.2 Secondary Data

'Reveiw of public enterprises in Kerala' published by the bureau of public enterprises from 1985 to 1992 is the main source of secondary data for the study. In addition to this, annual reports, other published sources such as report of the Comptroller and Auditor General of India published by the Government of Kerala Industry reports, Stock Exchange Directory, the reports of various committees such as pay commission reports of the state and central governments, report of the High Power Pay Committee, report of Sachar Committee, report of the Study Group on Wages, Incomes and Prices, report of the Task Force on State Public Sector Industries, published by the

State Planning Board, official announcements in the press and government publications are made use of for the collection of data and required information.

3.14.3 The present study is both descriptive and analytical in nature. It is descriptive as far as the theory is concerned. It is analytical in the sense that it analysed and interpreted the relevant data and finally made an evaluation also. This study enables to know which are the most significant determinants of executive remuneration. It shows the inter and intra-differentials in the pay scales of executives of the various public sector manufacturing units in Kerala. It also reveals how significant the personal attributes of the executives and also how important the characteristics of the organisation like size, profitability and pay roll etc. are the determining factors of executive remuneration.

3.15 TECHNIQUES OF DATA ANALYSIS

For the analysis of primary data, the measures of central tendency such as mean and median are used. Tools such as correlation coefficient and t-test are also used. For the analysis of secondary data, multiple regression analysis is used. Percentage change over is used to show

variations in the remuneration of executives in different categories of industries and inter-industries under different periods.

3.16 CONCEPTS USED

3.16.1 For this study 'executive' means a person who exercises supervisory control at any level in the management hierarchy and carries out the managing and/or executing the management functions of the public enterprises. 'Remuneration' means the total pay or total emoluments or the gross salary as a compensation for the work done or incentive for growth to achieve yet higher levels of competence and responsibility, including basic pay, dearness allowances, bonus and other allowances paid in cash.

3.16.2 'Remuneration pattern' here refers to 'remuneration relationships between various jobs at executive level in the organisational hierarchy, ie., the average payments to the executives from the highest to the lowest level in the management hierarchy.

3.17 SCHEME OF THE STUDY

The thesis contains seven chapters, each dealing with a different aspect of the problem. The first chapter

deals with the definition, rational and growth of public enterprises and the importance of human resource management. It also deals with the role of public enterprises as a 'model employer' and the problems and necessity of a sound executive remuneration policy in public enterprises.

3.17.1 In the second chapter, work already done in this direction is examined in the form of a survey of literature on the subject. Attempts so far made for developing a 'criteria' for executive remuneration and the important determinents of executive remuneration studied by various previous researchers, experts and authorities in the subject form the content of the chapter.

3.17.2 The methodology adopted in this study is detailed in chapter 3. It covers the various aspects of the problem such as the statement of the problem objectives and hypothesis of the study, sources and methods of data collection, techniques of data analysis, limitations of the study etc.

3.17.3 The fourth chapter presents the results of the questionnaire survey which includes the analysis of the

questionnaire survey and an attempt is made to evolve a rational criteria for determining executive remuneration on the basis of the perception of executives.

3.17.4 The pay scales of executives of the various manufacturing industrial units are analysed in chapter 5. It is analysed to bring out the inter and intra-differentials in executive remuneration in the various categories of manufacturing enterprises in Kerala. This analysis revealed that there is wide differentials in remuneration existing not only among various categories of enterprises but within the same category of enterprises producing the same type of commodities.

3.17.5 The financial analysis of the secondary data of the manufacturing public enterprises in Kerala in chapter 6. The multiple regression analysis is carried out to find out the most influencing factor for the determination of executive remuneration in the Kerala public enterprises. This chapter deals with the influence and relationship of executive remuneration with the size (measured by sales volume and number of employees) of the organisation rate of return (profitability) and pay roll of the organisation.

3.17.6 The last chapter presents the summary of findings, conclusions, implications and recommendations of the study.

Chapter 4

CRITERIA FOR DETERMINING EXECUTIVE REMUNERATION--A SURVEY

4.1 This chapter presents the results of the survey on the criteria and facets of executive remuneration. It is an attempt to examine and analyse the viewpoints reported by the executives regarding the criteria for the determination of remuneration and the various facets of remuneration such as age, level in the hierarchy, functions and responsibilities, qualifications and experience and their relationship with executive remuneration.

4.2 CRITERIA

It is proposed to analyse the order of importance of the various criteria as perceived by the executives for the determination of executive remuneration. For this purpose, the respondents were requested to assign ranks for the twelve criteria as mentioned in question No.16 of the questionnaire I (Annexure I). For assessing the criteria dimensions of executives the various factors have been developed from theories and previous research. The final inventory of items have been developed on the basis of experience generated from the pilot study. An open end has

been provided to find out additional factors which are considered by executives as important criteria for determining executive remuneration. But many such factors mentioned by respondents are only re-statements or re-wording of factors mentioned in the questionnaire. However, there are some important factors mentioned by the executives themselves which are not listed in the set of factors in the questionnaire. They include the total number of employees and net worth. These two factors were included under 'others' and considered for the analysis.

4.2.1 Since the problem is sensitive, delicate and complex the executives were approached with four questionnaires. In fact, the questionnaire No.II, III and IV are extensions of question No.16 of questionnaire No.1 and specifically formulated in different styles for the purpose of rejecting inconsistent answers and extracting accurate information. This is very much important because in many studies related to 'pay' it is found that people distort their replies to questionnaires as they think that it is not proper to admit that they rank 'money' as a very important factor or more significant than other factors.

4.2.2 In spite of presenting the 'factors' in different styles the results of questionnaire No.II, III and IV show

consistent pattern as far as the perception of executives regarding 'pay' and the importance they attach to 'equitable remuneration' are concerned. The factor 'comparison of remuneration in similar companies' is ranked first by the maximum number of respondents. These results are consistent and in line with the results of question No.16 of questionnaire No.I.

4.2.3 As already mentioned in Chapter 3, only fully completed questionnaires have been selected for the study. Of 366 fully completed questionnaires received, 285 were from the lower level executives and 81 from the senior executives of the various categories of the manufacturing public enterprises in Kerala. The remuneration of chief executives and their view points are included under the head 'senior executives'. In processing the responses the researcher encountered a difficulty. Some respondents marked first preference against several factors or even all the twelve factors. One interpretation of this can be that they attach equal importance to all the factors mentioned in the questionnaire and are unable to choose their priority. Another interpretation is that these executives had not applied their minds fully in filling these questionnaires. Therefore, inspite of clear instructions

where a respondent indicated the same preference to more than one criterion, he is deemed to have not complied with the instructions and his response is rejected.

4.2.4 Table 4.1 indicates the frequency, percentage and rank of the total respondents' opinion regarding the criteria for executive remuneration. It shows that the criterion 'comparison' with similar companies' has been given first preference by the maximum number of executives (114 out of 366). On the other hand the prominent factors such as 'volume of sales' and 'profitability' occupy only fourth and sixth ranks respectively.

4.2.5 Table 4.2 shows the reported viewpoints of the lower level executives and senior executives and also the total of 'all executives'. The Table reveals that in all levels, the criterion 'comparison with similar companies' received the first priority by the maximum number of executives. But the second highest (18.52 per cent) preference was given by senior executives to the factor 'cost of living' while the criterion 'needs of executives' was given second priority (20.35 per cent) by the lower level executives.

4.2.6 For a detailed analysis, mean rank values are computed of the various criteria reported by the

Table 4.1

Frequency, percentage and rank of executive opinion regarding criteria for determining executive remuneration

Sl. No.	Criteria	Frequency	Percentage of respondents	Rank
1.	Productivity basis	20	5.46	7
2.	Profitability basis	22	6.00	6
3.	Volume of sales basis	35	9.56	4
4.	Needs of Executives	66	18.03	2
5.	Comparison with similar companies	114	31.15	1
6.	Cost of living	55	15.03	3
7.	Future expansion plans of the company	4	1.09	11
8.	Capital investment of the company	11	3.00	8
9.	Capacity of the company to pay	24	6.56	5
10.	Demand and supply of qualified executives	7	1.91	9
11.	Bargaining power	6	1.64	10
12.	Others*	2	0.57	12
TOTAL		366	100	

* include number of employees and net worth.
Source: Survey data.

Table 4.2

Reported viewpoints by various levels of executives* regarding criteria for determining executive remuneration

Sl.No.	Criteria dimensions	Lower level executives		Senior executives		All executives		Rank
		No.	Percentage	No.	Percentage	No.	Percentage	
1.	Productivity basis	14	4.90	6	7.40	20	5.46	7
2.	Profitability basis	18	6.32	4	4.94	22	6.00	6
3.	Volume of sales basis	31	10.88	4	4.94	35	9.56	4
4.	Needs of Executives	58	20.35	8	9.88	66	18.03	2
5.	Comparison with similar company	88	30.88	26	32.10	114	31.15	1
6.	Cost of living	40	14.04	15	18.52	55	15.03	3
7.	Future expansion plans	0	0.00	4	4.94	4	1.09	11
8.	Capital investment	7	2.46	4	4.94	11	3.00	8
9.	Capacity to pay	20	7.02	4	4.94	24	6.56	5
10.	Demand and supply of qualified executives	2	0.70	5	6.18	7	1.91	9
11.	Bargaining power	5	1.75	1	1.22	6	1.64	10
12.	"Others"	2	0.70	0	0.00	2	0.57	12
TOTAL		285	100	81	100	366	100	

* The Bureau of Public Enterprises also classified the executives of Public Enterprises under these two categories only.

Source: Survey data.

executives. Mean rank values are computed for the total sample (all executives) and for executives at two levels, lower level executives and senior executives (Table 4.3). The following is the method of computation followed for obtaining mean rank values.

Computation of mean rank values for the criterion
'comparison with similar company'

Rank given	No.of executives assigning the rank	Product of (1) and (2)
1	114	114
2	45	90
3	37	111
4	35	140
5	30	150
6	28	168
7	26	182
8	24	192
9	11	99
10	9	90
11	5	55
12	2	24
Total	366	1415

$$\text{Mean value} = \frac{1415}{366} = \underline{\underline{3.87}}$$

4.2.6.1 Each rank number was multiplied by the number of executives assigning this number to a particular factor. The products were added and divided by the total number of respondents. The lower the rank value ascertained, the higher the rank for a factor. Mean rank values are ascertained following the above method for all the factors (Table 4.3).

4.2.7 Table 4.3 gives the mean rank values for the various criteria as reported by the executives for the determination of executive remuneration. For all categories of executives, (lower, senior and 'all executives' together) the criterion 'comparison with similar companies' got the highest rank as it showed the lowest mean value. It is followed by 'needs of executives', 'volume of sales', 'cost of living' and 'profitability', at the second, third, fourth and fifth ranks respectively. The lowest rank is given to 'demand and supply of executives' while the rank for 'bargaining power' and 'future expansion plans' is just higher to it. Again other criteria such as 'capacity to pay', 'productivity', 'capital investments' and 'others' stand in the middle positions at sixth, seventh, eighth and ninth ranks respectively.

Table 4.3

Criteria factors for the determination of executive remuneration
(reported by executives at various levels)

Sl.No.	Criteria Factors	All Executives		Lower Executives		Senior Executives	
		Mean Rank value (*)	Rank	Mean Rank value (*)	Rank	Mean Rank value (*)	Rank
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1.	Comparison with similar company	3.87	1	3.90	1	3.74	1
2.	Needs of executives	4.49	2	4.17	2	5.61	3
3.	Cost of living	6.30	4	4.98	3	4.71	2
4.	Volume of sales basis	5.77	3	5.50	4	6.76	7
5.	Capacity of pay	6.57	6	6.40	6	7.18	9
6.	Profitability basis	6.33	5	6.20	5	6.11	4
7.	Productivity basis	6.70	7	6.83	7	6.25	5

Table 4.3 (contd.)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
8.	Capital investments	7.34	8	7.16	8	7.96	10
9.	Demand and supply of executives	8.27	12	8.80	12	6.40	5
10.	Bargaining power	8.20	11	8.22	11	8.14	12
11.	Future expansion plans	8.00	10	8.01	10	7.97	11
12.	Others	7.67	9	7.90	9	7.13	8

* Each rank number was multiplied by the number of executives assigning this number to a particular factor. The products were added, and divided by the total number of respondents in the sample. The lower the rank value ascertained the higher the rank for a factor.

Source: Computed from survey data.

4.2.8 Level-wise Analysis

Table 4.3 indicates the ranking by executives at different levels. The rank order correlation between the two levels of executives and the total sample, and the inter-level correlation does not show a high degree of resemblance in the ranking pattern. Of course the criterion 'comparison with similar companies' consistently gets the first position for the total sample and at all levels of executives. But the criterion 'needs of Executives' gets only third position from 'senior executives' while it gets second position from lower level executives and also from the total sample. On the other extreme the criterion 'demand and supply of executives' gets the last position (12th rank) at the lower executive level and the total sample; it gets a much higher rank (sixth) from senior executives.

4.2.9 Table 4.3.1 examines the relationship between the reported criteria factors of executives and executive levels. For this purpose rank correlation coefficient is calculated by using the following formula:

$$r_k = 1 - \frac{6 \sum d^2}{n(n^2-1)}$$

where d , denotes difference between ranks and n denotes number of observations.

Table 4.3.1

Correlation values

Executive levels	Correlation coefficients (r_k)
Lower-senior	0.719
Lower-all executives	0.993
Senior-all executives	0.684

r_k , to be significant at $p \leq 0.01$, should be ≥ 0.727 .

4.2.9.1 This shows that there is no significant influence among 'lower-senior' and 'senior-all executive' levels. The correlation coefficient of the above levels are only 0.719 and 0.684 respectively which are less than the tabulated value at one per cent level. The correlation coefficient of 'lower--all executives' category (0.993) is significant at one per cent critical level. This indicates that the pattern of criteria factors reported by 'lower--all executives' categories are almost similar.

4.2.10 Meggison (1985, 515) observed: "my research during the last 20 years has consistently found that higher level, better educated and highly paid executives are more likely to compare their income with that of people in comparable positions outside the firm. Those in middle levels compare

their income with that of colleagues on the same level within the firm and lower level managers compare salaries with their highest paid subordinates. So it would appear that, the higher the educational and organisational level, the more interested the executives are in making out of company income comparisons." It may be noted that in Kerala public enterprises also 'comparison with similar other companies' is the most important factor for the maximum number of executives at all levels for the determination of their remuneration.

4.2.11 Table 4.4 reveals the number and percentage of the total sample (all executives) assigning various ranks to the 12 factors for the determination of remuneration. Like-wise Table 4.5 and 4.6 show the number and percentage of lower level and senior executive's ranking regarding the various factors respectively.

4.3 FACETS OF REMUNERATION

The analysis is directed to bring out the salient features of executives in terms of their remuneration, level of the hierarchy, age, functions, qualification and experience. It seeks to portray an overall picture of the issues involved and covers the various facets of remuneration such as:

Table 4.4

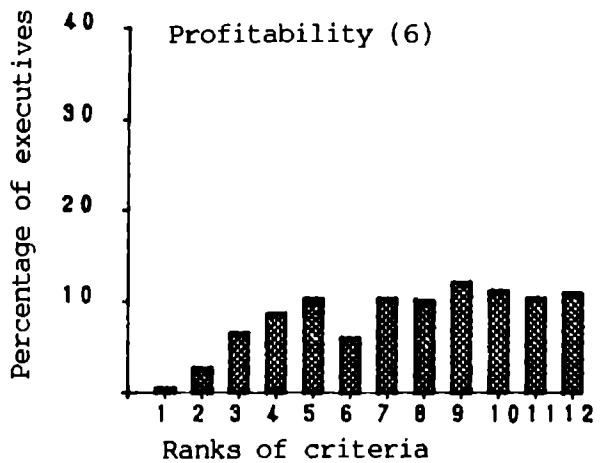
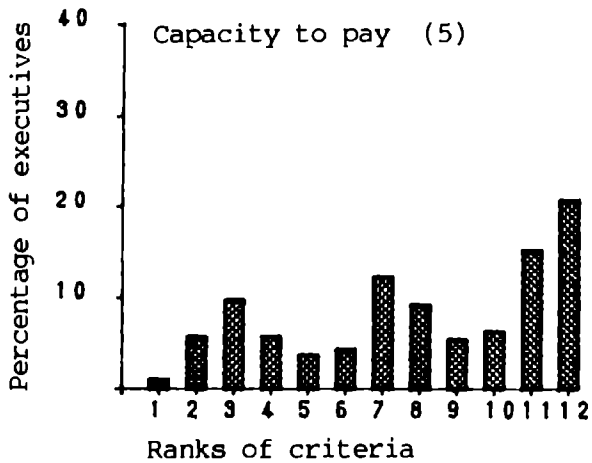
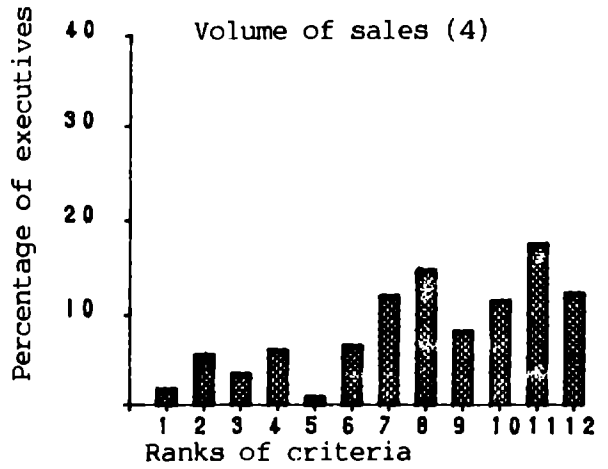
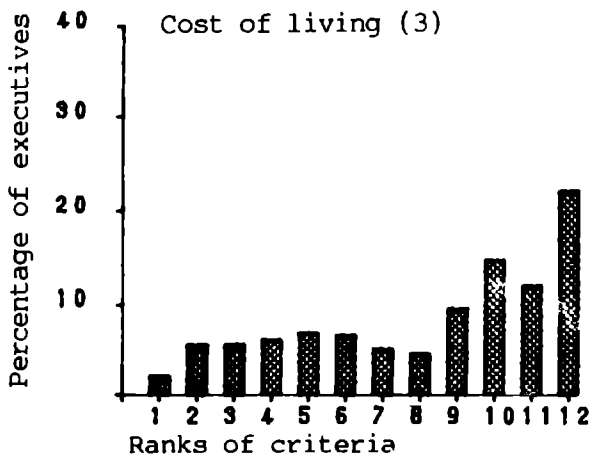
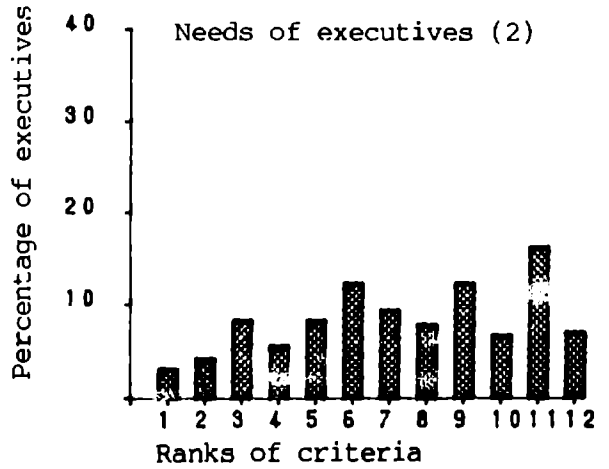
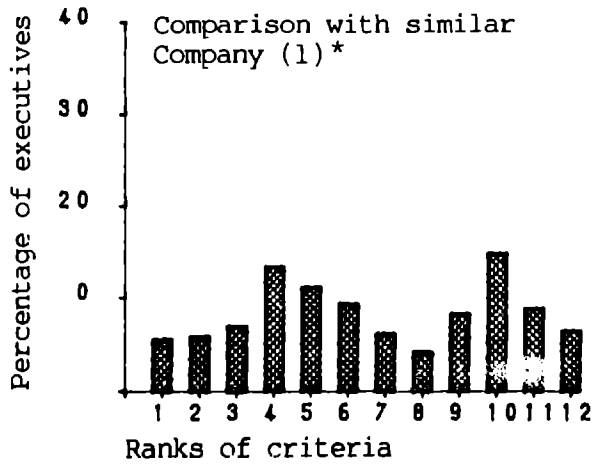
Number and percentage of 'All executives' assigned ranks regarding criteria for the
determination of executive remuneration

Sl. No.	Criteria	1	2	3	4	5	6	7	8	9	10	11	12	Total
1.	Comparison with similar companies	114 (31.15)	45 (12.29)	37 (10.11)	35 (9.56)	30 (8.20)	28 (7.65)	26 (7.10)	24 (6.56)	11 (3.00)	9 (2.46)	5 (1.37)	2 (0.55)	366 (100)
2.	Needs of Executives	66 (18.03)	85 (23.22)	32 (8.74)	28 (7.65)	37 (10.11)	16 (4.37)	18 (4.93)	22 (6.01)	24 (6.56)	27 (7.38)	1 (0.27)	10 (2.73)	366 (100)
3.	Cost of living	55 (15.03)	34 (9.29)	45 (12.29)	39 (10.66)	42 (11.48)	47 (12.84)	21 (5.74)	37 (10.10)	24 (6.56)	6 (1.63)	14 (3.83)	2 (0.55)	366 (100)
4.	Volume of sales	35 (9.56)	50 (13.66)	35 (9.56)	27 (7.37)	34 (9.28)	32 (8.74)	21 (5.74)	27 (7.38)	42 (11.48)	40 (10.93)	15 (4.10)	8 (2.18)	366 (100)
5.	Capacity of the company to pay	24 (6.56)	17 (4.64)	30 (8.19)	44 (12.02)	47 (12.84)	24 (6.56)	30 (8.19)	47 (12.85)	22 (6.02)	15 (4.10)	23 (6.28)	43 (11.75)	366 (100)
6.	Profitability	22 (6.01)	28 (7.65)	40 (10.93)	27 (7.38)	25 (6.83)	54 (14.75)	49 (13.39)	25 (6.83)	39 (10.66)	31 (8.47)	15 (4.09)	11 (3.01)	366 (100)
7.	Productivity	20 (5.46)	21 (5.74)	25 (6.84)	49 (13.39)	41 (11.20)	34 (9.29)	22 (6.01)	15 (4.09)	30 (8.19)	54 (14.76)	32 (8.75)	23 (6.28)	366 (100)
8.	Capital investments	11 (3.01)	15 (4.09)	30 (8.20)	20 (5.46)	30 (8.20)	45 (12.29)	34 (9.29)	28 (7.66)	45 (12.29)	24 (6.56)	59 (16.12)	25 (6.83)	366 (100)
9.	Demand and supply of Executives	7 (1.91)	20 (5.46)	20 (5.46)	22 (6.01)	25 (6.81)	24 (6.56)	18 (4.93)	16 (4.38)	35 (9.56)	54 (14.75)	44 (12.02)	81 (22.13)	366 (100)
10.	Bargaining power	6 (1.63)	20 (5.46)	12 (3.28)	22 (6.01)	3 (0.82)	24 (6.56)	44 (12.02)	54 (14.75)	30 (8.19)	42 (11.47)	64 (17.48)	45 (12.29)	366 (100)
11.	Future expansion plans	4 (1.09)	21 (5.74)	36 (9.84)	21 (5.74)	14 (3.82)	16 (4.37)	45 (12.29)	34 (9.29)	20 (5.46)	23 (6.28)	56 (15.30)	76 (20.76)	366 (100)
12.	Others	2 (0.55)	10 (2.73)	24 (6.56)	32 (8.74)	38 (10.38)	22 (6.01)	38 (10.38)	37 (10.10)	44 (12.02)	41 (11.20)	38 (10.38)	40 (10.92)	366 (100)
Total		366	366	366	366	366	366	366	366	366	366	366	366	366

Figures in parentheses denote percentages

Source: Survey data.

Graphic presentation of ranking of the 'criteria' for the determination of executive remuneration



* Against each factor the overall ranks is shown in parentheses

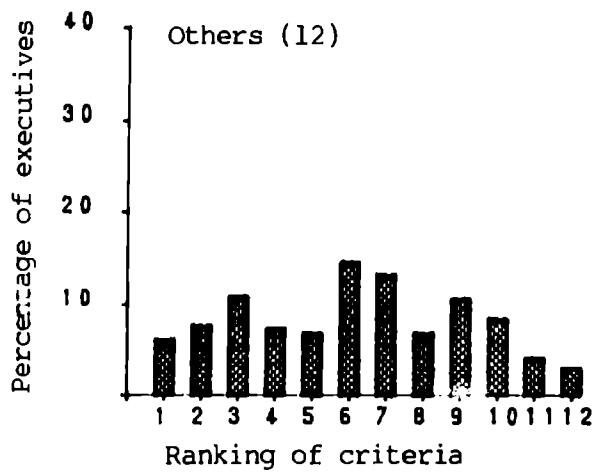
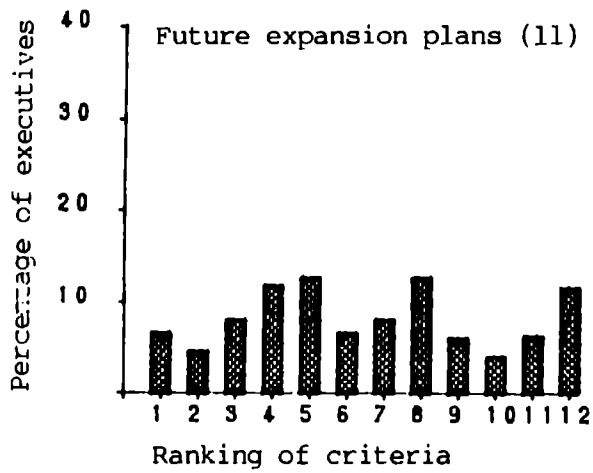
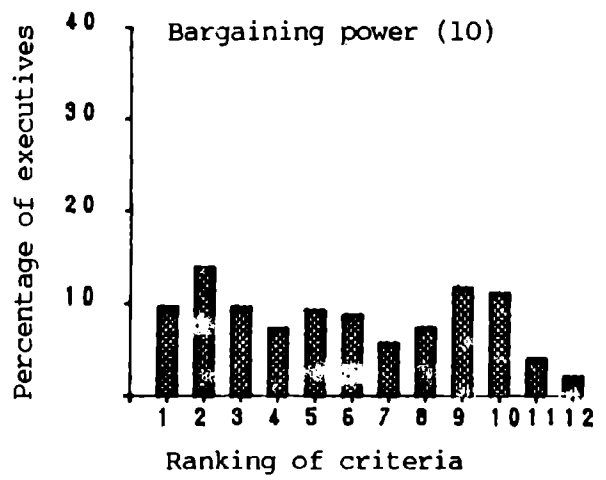
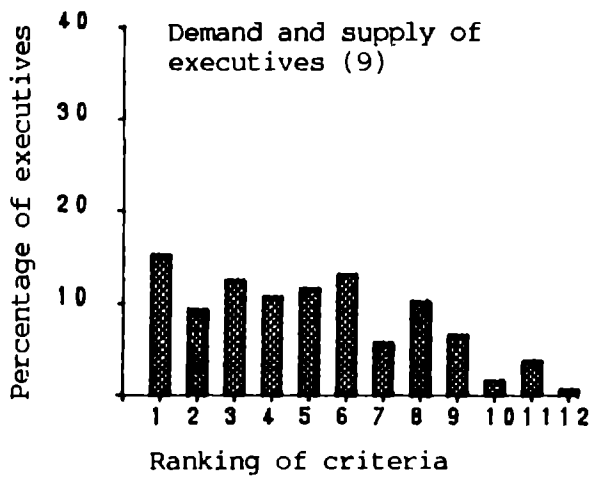
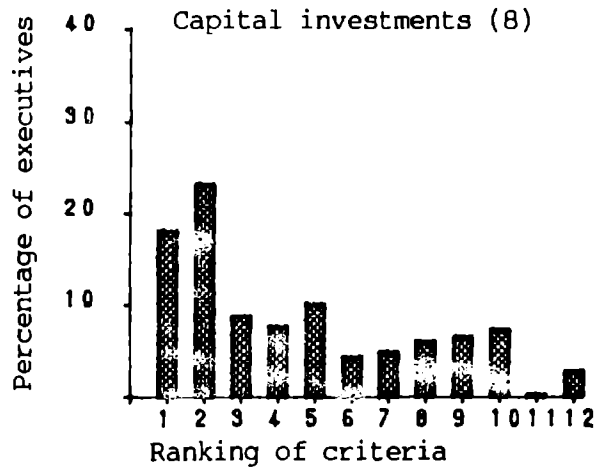
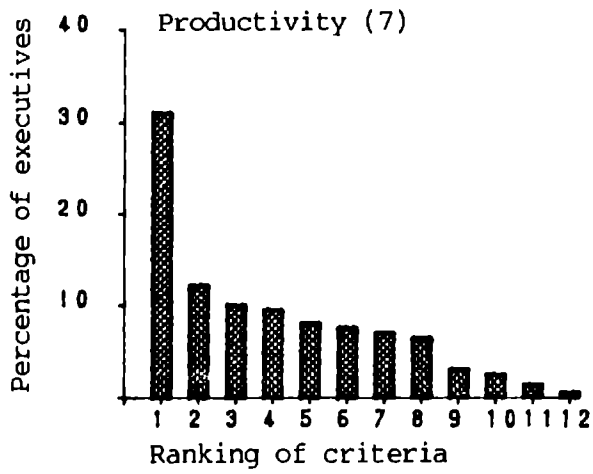


Table 4.5

Number and percentage of 'Lower level executives' assigned ranks regarding criteria for the determination of executive remuneration

Sl. No.	Criteria	1	2	3	4	5	6	7	8	9	10	11	12	Total
1.	Comparison with similar companies	88 (30.87)	28 (9.82)	33 (11.58)	31 (10.87)	19 (6.66)	25 (8.77)	21 (7.36)	22 (7.72)	9 (3.16)	4 (1.40)	4 (1.40)	1 (0.35)	285 (100)
2.	Needs of executives	58 (20.35)	75 (26.31)	25 (8.77)	24 (8.42)	17 (5.96)	14 (4.91)	13 (4.56)	17 (5.96)	16 (5.61)	21 (7.37)	0 (0.00)	5 (1.75)	285 (100)
3.	Cost of living	40 (14.00)	30 (10.52)	28 (9.82)	33 (11.58)	32 (11.23)	37 (12.98)	18 (6.32)	32 (11.23)	21 (7.37)	3 (1.05)	10 (3.51)	1 (0.35)	285 (100)
4.	Volume of sales basis	31 (10.87)	45 (15.79)	27 (9.47)	21 (7.37)	26 (9.12)	24 (8.42)	17 (5.96)	22 (7.72)	27 (9.47)	32 (11.23)	10 (3.51)	3 (1.05)	285 (100)
5.	Capacity of the company to pay	20 (7.01)	13 (4.56)	25 (8.77)	31 (10.81)	44 (15.44)	19 (6.66)	27 (9.47)	33 (11.58)	15 (5.26)	9 (3.16)	21 (7.37)	28 (9.82)	285 (100)
6.	Profitability basis	18 (6.31)	19 (6.66)	33 (11.58)	22 (7.72)	20 (7.02)	38 (13.33)	42 (14.74)	15 (5.26)	32 (11.23)	27 (9.47)	10 (3.51)	9 (3.16)	285 (100)
7.	Productivity basis	14 (4.91)	12 (4.21)	17 (6.06)	36 (12.63)	37 (12.98)	28 (9.82)	18 (6.31)	11 (3.86)	27 (9.47)	48 (16.84)	20 (7.01)	17 (5.96)	285 (100)
8.	Capital investments	7 (2.45)	11 (3.85)	27 (9.47)	15 (5.26)	22 (7.72)	42 (14.74)	30 (10.53)	22 (7.72)	35 (12.28)	19 (6.66)	41 (14.38)	14 (4.91)	285 (100)
9.	Demand and supply of executives	2 (0.70)	13 (4.56)	11 (3.86)	12 (4.21)	21 (7.36)	18 (6.31)	11 (3.85)	12 (4.21)	27 (9.47)	41 (14.38)	42 (14.73)	75 (26.31)	285 (100)
10.	Bargaining power	5 (1.75)	16 (6.61)	9 (0.03)	18 (6.31)	2 (0.70)	12 (4.21)	36 (12.63)	46 (16.14)	25 (8.77)	31 (10.88)	50 (17.54)	35 (12.28)	285 (100)
11.	Future expansion plans	0 (0.00)	18 (6.31)	32 (11.21)	17 (5.96)	10 (3.51)	11 (3.86)	32 (11.22)	28 (9.82)	14 (4.91)	19 (6.66)	44 (15.44)	60 (21.05)	285 (100)
12.	Others*	2 (0.70)	5 (1.75)	18 (6.31)	25 (8.77)	35 (12.28)	17 (5.96)	20 (7.01)	25 (8.77)	37 (12.98)	31 (10.87)	33 (11.58)	37 (12.98)	285 (100)
Total		285	285	285	285	285	285	285	285	285	285	285	285	285

Figures in parentheses denote percentages.

Source: Survey data.

Table 4.6

Number and percentages of 'Higher level executives' assigned ranks regarding criteria for the determination of executive remuneration

Sl. No.	Criteria	1	2	3	4	5	6	7	8	9	10	11	12	Total
1.	Comparison with similar companies	26 (32.09)	17 (20.98)	4 (4.94)	4 (4.94)	11 (13.58)	3 (3.70)	5 (6.17)	2 (2.46)	2 (2.46)	5 (2.46)	1 (1.23)	1 (1.23)	81 (100)
2.	Needs of executives	8 (9.87)	10 (12.34)	7 (8.64)	4 (4.94)	20 (24.69)	2 (2.47)	5 (6.17)	5 (6.17)	8 (9.87)	6 (7.40)	1 (1.23)	5 (6.17)	81 (100)
3.	Cost of living	15 (18.5)	4 (4.94)	17 (20.98)	6 (7.40)	10 (12.34)	10 (12.34)	3 (3.70)	5 (6.17)	3 (3.20)	3 (3.70)	4 (4.94)	1 (1.23)	81 (100)
4.	Volume of sales basis	4 (4.94)	5 (6.17)	8 (9.87)	6 (7.40)	8 (9.87)	8 (9.87)	4 (4.94)	5 (6.17)	15 (18.5)	8 (9.87)	5 (6.17)	5 (6.17)	81 (100)
5.	Capacity of the company to pay	4 (4.94)	4 (4.94)	5 (6.17)	13 (16.04)	3 (3.70)	5 (6.17)	3 (3.70)	14 (17.28)	7 (8.64)	6 (7.40)	2 (2.46)	15 (18.5)	81 (100)
6.	Profitability basis	4 (4.94)	9 (11.1)	7 (8.64)	5 (6.17)	5 (6.17)	16 (19.75)	7 (8.64)	10 (12.34)	7 (8.64)	4 (4.94)	5 (6.17)	2 (2.47)	81 (100)
7.	Productivity	6 (7.40)	9 (11.1)	8 (9.87)	13 (16.04)	4 (4.94)	6 (7.40)	4 (4.94)	4 (4.94)	3 (3.70)	6 (7.40)	12 (14.81)	6 (7.40)	81 (100)
8.	Capital investments	4 (4.94)	4 (4.94)	3 (3.70)	5 (6.17)	8 (9.87)	3 (3.70)	4 (4.94)	6 (7.40)	10 (12.34)	5 (6.17)	18 (22.22)	11 (13.58)	81 (100)
9.	Demand and supply of executives	5 (6.17)	7 (8.64)	9 (11.1)	10 (12.34)	4 (4.94)	6 (7.40)	7 (8.64)	4 (4.94)	8 (9.87)	13 (16.04)	2 (2.46)	6 (7.40)	81 (100)
10.	Bargaining power	1 (1.23)	4 (4.94)	3 (3.70)	4 (4.94)	1 (1.23)	12 (14.81)	8 (9.87)	8 (9.87)	5 (6.17)	11 (13.58)	14 (17.28)	10 (12.34)	81 (100)
11.	Future expansion Plans	4 (4.94)	3 (3.10)	4 (4.94)	4 (4.94)	4 (4.94)	5 (6.17)	13 (16.04)	6 (7.40)	6 (7.40)	4 (4.94)	12 (14.81)	16 (19.75)	81 (100)
12.	Others	0 (0.00)	5 (6.17)	6 (7.40)	7 (8.64)	3 (3.70)	5 (6.17)	12 (22.22)	12 (14.80)	7 (8.64)	10 (12.34)	5 (6.17)	3 (3.70)	81 (100)
Total		81	81	81	81	81	81	81	81	81	81	81	81	81

Figures in parentheses denote percentages.

Source: Survey data.

1. Remuneration range;
2. Age;
3. Functional area and level of job;
4. Qualification and
5. Experience.

4.3.1 Remuneration Range

Table 4.7 reveals that out of the 366 executives responded to the questionnaire the majority, 216 (59.01 per cent) concentrates between Rs.36000-48000 and Rs.48000-60000 remuneration ranges. The Rs.48000-60000 range accounts for more than 33 per cent of the total number of executives in all the categories of the industrial group. On the other extreme, only very few executives (1.19 per cent) and (1 per cent) belongs to Rs.96000-108000 and Rs.108000-120000 ranges respectively.

4.3.1.1 Regarding the average remuneration, the executives of electronics category enjoys the maximum benefit. Their average annual remuneration is the highest (Rs.58838) as against the electrical industries (Rs.48020) the lowest. It may be noted that (Table 4.18) the average experience of executives of electrical units are much more than (21.77) the electronics units (14.55). The differentials and

Table 4.7

Category-wise distribution by remuneration range

Category	Number in the remuneration range										Total number	000's average remuneration	Standard deviation remuneration
	Below 36,000's	36-48	48-60	60-72	72-84	84-96	96-108	108-120					
Electrical	6	18	20	2	2	-	-	-	-	48	48.020	11.07	
Electronics	-	28	48	26	18	2	-	2	-	124	58.838	14.26	
Engineering	10	22	20	4	6	-	1	3	-	66	52.727	19.984	
Chemicals	21	15	31	15	10	1	-	3	-	96	53.500	18.983	
Textiles	2	4	1	2	6	-	-	-	-	15	58.850	19.136	
Ceramics	2	4	2	1	-	-	1	-	-	10	50.40	21.204	
Wood-based	2	1	2	2	-	-	-	-	-	7	48.857	15.269	
Total	43	92	124	52	42	3	2	8	-	366	54.492	17.114	
Percentage	11.75	25.13	33.88	14.21	11.48	0.82	0.54	1.19	-	100	--	--	

Source: Survey data

disparities of executive remuneration in these two categories of industries are very clear. In spite of longer period of service the executives of electrical units are drawing lesser pay compared to electronics units. The last column (Table 4.7) reveals the standard deviation in remuneration. The ceramics category shows the highest (21.20) while in the electrical category it is the lowest (11.07).

4.3.1.2 It is a popular belief that a person be paid more than what his subordinates get. Every higher level job entails higher risk and responsibility requiring greater ability experience and education. Therefore, a higher job is expected to carry a higher remuneration. Proper variations in remuneration among the different executive levels are important because of its influence on the motivation and morale of the personnel in an organisation.

4.3.1.3 A statistical analysis of remuneration for the different levels of executives (Table 4.8) reveals wide differentials in remuneration. As expected, the senior executives are paid more than the executives at the lower level. The mean remuneration of senior executives stands as Rs.61259 whereas it is Rs.52568 at the lower level. In order to test whether the mean remuneration of lower and

Table 4.8

Distribution of remuneration range by executive levels

Annual remuneration (Rs. in thousands)	Lower level Executives		Senior Executives		Total No.	Percentage to total number
	No.	Percent-age	No.	Percent-age		
Below 36	41	14.39	2	2.47	43	11.75
36-48	68	23.87	24	29.63	92	25.13
48-60	104	36.49	20	24.68	124	33.88
60-72	37	12.98	15	18.53	52	14.21
72-84	32	11.22	10	12.35	42	11.48
84-96	-	-	3	3.70	3	0.82
96-108	-	-	2	2.47	2	0.54
108-120	3	1.05	5	6.17	8	2.19
Total	285	100.00	81	100.00	366	100.00
Mean Remuneration	Rs.52568		Rs.61259			

Source: Survey data.

senior executives differ significantly or not, t-test is applied. The test shows that the mean remuneration of lower level and senior level executives is highly significant as the computed value (ie., 4.122) is higher than the table value (ie., 2.58) at one per cent level.

4.3.1.4 It is pertinent to note that there are several cases where lower level executives are paid more than the senior executives. But in such cases the higher paid lower level executives, by and large, are more qualified or experienced than the senior executives. It may be also because of overlapping of the time scale.

4.3.2 Age Distribution

Age distribution in different levels of management (Table 4.9) shows that an overwhelming proportion (68.59 per cent) of the total executives were between 30 and 45 years of age. The age of executives sampled ranged from 25 to 60.

4.3.2.1 It is interesting to note that mean remuneration increases in the 50-55 range. (The only exception is in the age group of 40-45). The mean remuneration is Rs.64378 in the age group of 50-55, it decreases to Rs.40800 in the age group of 55-60. The reason may be that these executives rise to this executive level merely by experience due to the privilege enjoyed because of the special rule of the Kerala Government to those people to continue service provided they joined before the year 1959.

Table 4.9

Age distribution of executives by range of remuneration

Age in years	Number in the remuneration range								Total number	Mean remuneration (Rs)
	Below 36	36-48	48-60	60-72	72-84	84-96	96-108	108-120		
Below 25	-	-	-	-	-	-	-	-	-	-
25 - 30	5	10	-	-	-	-	-	-	15 (4.09)	38000
30 - 35	15	28	20	12	10	-	-	-	85 (23.22)	50329
35 - 40	-	27	28	16	13	-	-	-	84 (22.96)	56142
40 - 45	10	8	46	9	9	-	-	-	82 (22.41)	53654
45 - 50	8	6	17	10	7	-	-	5	53 (14.48)	60113
50 - 55	3	5	13	5	3	3	2	3	37 (10.11)	64373
55 - 60	2	8	-	-	-	-	-	-	10 (2.73)	40800
Total	43 (11.75)	92 (25.13)	124 (33.89)	52 (14.21)	42 (11.98)	3 (0.82)	2 (0.55)	8 (2.18)	366 100	54525
Mean age	39.58	38.53	41.49	40.57	40.19	52.50	52.50	49.37	--	--

Source: Survey data

Age distribution in functional areas (Table 4.10) shows that 40 out of the 67 executives in the general administration category belongs to either 30 to 35 or 40 to 45 age group.

4.3.2.2 Mean age of the executives in the various functional area reveals that in miscellaneous and general administration the average age is the highest and research and development indicates the lowest. It is quite understandable since research and development is a newly developed area in the Kerala Public Sector and naturally the mean age of executives in this are is the lowest.

4.3.2.3 It is seen from Table 4.11 that senior executives are spread over largely in the age group of 30-35 (30.86 per cent) and 40 to 45 (24.69 per cent). This may be on account of the fact that senior executives belonging to 30-35 age group reached that level due more to qualification than long years of experience. "It is possible that technically qualified persons rise to the senior level after a few years of service" (Anand, 1961, 19).

Table 4.10

Age distribution of executives in functional areas

Functional area	Number in the age range						Total number	Percentage to total	Mean age
	25-30	30-35	35-40	40-45	45-50	50-55			
General administration	-	20	15	20	6	6	67	18.31	44.88
Finance & Accounts	-	11	10	17	3	4	45	12.29	40.13
Production/Technical	2	20	15	13	15	13	80	21.86	41.62
Personnel	-	8	17	10	6	6	47	12.84	40.89
Purchase/Stores	3	-	8	3	8	-	23	6.28	38.69
Marketing/Sales	5	15	17	8	8	5	60	16.39	39.33
Research & Development	5	3	2	-	2	-	12	3.29	33.75
Miscellaneous*	-	10	-	5	5	5	32	8.74	4.500
Total	15	87	84	76	55	35	366	100.00	41.41

* includes quality control, inspection, testing, servicing etc.

Source: Computed from survey data.

Table 4.11

Distribution of respondents by age and executive levels

Age in years	Executives		Sr. Executives		Total No.	Percentage to total Number
	No.	Percent-age	No.	Percent-age		
25-30	13	4.56	2	2.47	5	4.10
30-35	60	21.05	25	30.86	85	23.22
35-40	73	25.62	11	13.58	84	22.95
40-45	62	21.75	20	24.69	82	22.40
45-50	43	15.09	10	12.35	53	14.48
50-55	32	11.23	5	6.17	37	10.11
55-60	2	0.70	8	9.88	10	2.74
Total	285	100.00	81	100.00	366	100.00
Mean age	40.41		41.08		40.56	

Source: Survey data.

4.3.3 Functional Area

For the purpose of analysing the distribution of executives according to the remuneration range and nature of job, eight different areas of functional management are identified. Table 4.12 reveals that 146 (around 40 per cent) of the executives were in production and general

administration. There are comparatively fewer executives in the areas of research and development (3.28 per cent), quality control etc. This shows that the staff functions grow at a slower pace in the Kerala public sector manufacturing enterprises.

4.3.3.1 Remuneration-wise, 28 out of 66 executives in general administration drew more than Rs.5000 per mensem. But one in the purchases and stores departments drew such high remuneration. The Production, personnel and general administration executives constituted the highest number in the remuneration range, above Rs.72000 per annum. Table 4.12 shows that in the case of average annual remuneration also executives in the general administration function enjoys the maximum. Their average annual remuneration is the highest at Rs.59636 whereas executives in the purchase and stores get the lowest at Rs.42522. "In studying the above figures, too much emphasis should not be put on average payments as the number of specific payments involved is small. Average payments along with the range of payments may present a more realistic picture" (Gupta, 1984, 81).

4.3.3.2 A comparatively high remuneration in production and technical area may be justified by the experienced and

Table 4.12
Distribution of respondents by remuneration range and functional areas

Functional area	Remuneration range										Total Number	Present age	Mean remuneration
	Below 36 (Rs. in 000s)	36-48	48-60	60-72	72-84	84-96	96-108	108-120					
General Administration	-	13	25	12	16	-	-	-	-	-	66	18.03	59636
Finance and Accounts	4	2	27	2	5	-	-	-	-	-	40	10.94	54600
Production/Technical	13	19	22	10	10	-	2	4	4	4	80	21.86	55950
Personnel	7	18	4	9	6	-	-	4	4	4	48	13.11	56083
Purchase/Stores	6	10	7	-	-	-	-	-	-	-	23	6.28	42522
Sales/Marketing	8	18	18	11	5	-	-	-	-	-	60	16.39	51466
Research and Development	-	5	5	2	-	-	-	-	-	-	12	3.28	51000
Miscellaneous*	5	7	16	6	-	3	-	-	-	-	37	10.11	53351
Total	43	92	124	52	42	3	2	8	8	8	366	100.00	54478

* includes quality control, inspection, testing, servicing etc.

Source: Survey data.

highly qualified personnel serving in these areas. But it may be noted that executives in the general administration function are getting the highest average remuneration. These findings are consistent with a study conducted in Tamil Nadu (Anand, 1969), which revealed that the executives in the general administration were getting the highest average remuneration.

4.3.3.3 Table 4.13 reveals distribution of educational qualifications and functional areas of executives. Out of 66 executives working in general administration, 36 persons (54.54 per cent) are professional degree holders, whereas 68 persons (85 per cent) in production and technical function holding professional degree.

4.3.3.4 Thus the relative importance of different functional areas undergoes change and as a result the remuneration of executives are also affected by such a change. For instance, due to the realisation of the importance of human factor in industry the personnel function is gaining importance. So also with recession and competition the neglected function of marketing came into prominence. But it should be noted that the executives in the newly developed functions such as research and

Table 4.13

Distribution of respondents by educational and functional areas

Functional areas	Number in each category						Total (100)	Percent- age to total
	Doctorates	Professional degree holders	Post- gradu- ates	Gradua- tes	Under- gradua- tes			
General Administration	2 (3.0)	36 (54.54)	5 (7.57)	15 (22.72)	8 (12.12)	66 (100)	18.03	
Finance & Accounts	--	17 (42.5)	1 (5.00)	16 (40.00)	5 (12.5)	40 (100)	10.93	
Production/Technical	--	68 (85.00)	1 (1.25)	5 (6.25)	6 (7.5)	80 (100)	21.86	
Personnel	--	30 (62.5)	4 (8.33)	12 (25.00)	2 (4.16)	48 (100)	13.11	
Purchase & Stores	-	4 (17.39)	2 (8.69)	3 (13.04)	14 (60.86)	23 (100)	6.28	
Sales & Marketing	--	26 (43.33)	2 (3.33)	20 (33.33)	12 (20.00)	60 (100)	16.39	
Research & Development	--	4 (33.37)	--	5 (41.66)	3 (25.00)	12 (100)	3.28	
Miscellaneous	--	25 (67.56)	--	1 (62.70)	11 (29.73)	37 (100)	10.12	
Total	2 (0.55)	210 (57.38)	16 (4.37)	77 (21.04)	61 (16.66)	366 (100)	100	

Figures in parentheses denote percentages

Source: Survey data.

development, quality control etc. are getting relatively less importance in terms of remuneration in the Kerala public sector manufacturing industries.

4.3.4 Educational Qualifications

For the purpose of getting a detailed idea of educational attainments of executives, it has been examined in the context of both functional areas and executive levels. Again the educational qualifications of these executives have been examined on the basis of the various categories of enterprises. For the purpose of analysis, educational qualifications of executives have been grouped into five categories. Executives with Ph.D and D.Phil degrees are grouped under 'doctorates'. Those having specialised education in Engineering, Technology, Architecture and other professional degree holders such as M.B.A., M.B.B.S., LL.B etc. are grouped under 'professional degree holders' and Master's degree holders in Science and Arts such as M.A., M.Sc. or M.Com. holders are included in the category of 'post-graduates'. Similarly 'graduates' consist of B.A., B.Sc. and B.Com. holders. Diploma, Pre-degree, SSLC, Matriculates, non-matriculates, intermediates are all put in the category of 'undergraduates'.

Table 4.14
Distribution of respondents by educational qualification
and executive levels

Qualification	Executives		Sr. Executives		Total	
	No.	Percent- age	No.	Percent- age	No.	Percent- age
Doctorates (Ph.D/D.Phil.)	-	-	2	2.47	2	0.55
Professional (Degreeholders Engg./Law/ Medicine etc.)	162	56.84	48	59.26	210	57.38
Post Graduates (M.A/M.Sc./M.Com.)	6	2.11	10	12.35	16	4.37
Graduates (B.A/B.Sc./B.Com.)	65	22.81	12	14.81	77	21.04
Undergraduates	52	18.24	9	11.11	61	16.66
Total	285	100.00	81	100.00	366	100.00

Source: Survey data.

4.3.4.1 It may be observed from Table 4.14 that 210 executives (more than 57 per cent) of the total number are professional degree holders are graduates (21.04 per cent) and 66 are undergraduates (16.66 per cent). Only 4.37 per cent of the total executives are post-graduates and 0.55 per cent are doctorate holders. The executives who do not

possess at least a bachelor's degree had invariably risen to executive positions through a long period of service.

4.3.4.2 Level-wise analysis shows that among the senior executives also professional degree holders formed (59.26 per cent) the largest number, followed by graduates (14.81 per cent). In the case of lower level executives there are no doctorates and the proportion of post-graduates are also comparatively less in number. The only exception is in the case of professional degree holders. This may be due to number of appointments in the technical and production areas in several manufacturing enterprises in the Keltron group of companies due to expansion and development took place recently. Thus higher level executives appeared to possess higher educational qualifications in the manufacturing public enterprises in Kerala. At the same time it may be noted that 11.11 per cent of the senior executives are under-graduates.

4.3.4.3 Table 4.15 gives a detailed analysis of the distribution by qualification and remuneration range. Only professional degree holders and post-graduates are drawing more than Rs.96000 annually. But in the case of average remuneration 'doctorates' were getting the highest, ie.,

Table 4.15

Distribution of respondents by qualification and remuneration range

Qualifications	Remuneration range (in thousands)										Total Number	Average remuneration	
	Below 36	36-48	48-60	60-72	72-84	84-96	96-108	108-120					
Doctorates (Ph.D/D.Phil.)	-	-	-	1	-	11	-	-	-	-	2	78000	(0.55)
Professional Degree holders (Engg./Law/Medicine)	25	46	63	33	35	2	2	4	4	4	210	56343	(57.38)
Post graduates (MA/M.Sc./M.Com.)	3	1	6	2	-	-	-	-	-	-	16	65250	(4.37)
Graduates (B.A./B.Sc./B.Com.)	11	20	34	8	4	-	-	-	-	-	77	49948	(21.04)
Undergraduates	4	25	21	8	3	-	-	-	-	-	61	50262	(16.66)
Total	43	92	124	52	42	3	2	8	8	8	366		(100.00)

Figures in parentheses denote percentages

Source: Survey data.

Rs.78000. It is interesting to note that the 'undergraduates' are drawing more than (Rs.50262) the graduates (Rs.49948). It is invariably due to several years of service put in by these undergraduates to rise up to the level of executives.

4.3.4.4 Table 4.16 presents an analysis of the educational qualifications of executives in the various categories of manufacturing public enterprises in Kerala. All the doctorates (2) and the maximum number of professional degree holders (92) are concentrated in the electronics category. On the other extreme wood-based and textiles employed the lowest number of executives having professional degrees. An overwhelming proportion (50 out of 66) of the executives in the engineering category are professional degree holders.

4.3.5 Remuneration and Experience

It is shown in Table 4.17 that an overwhelming proportion of the executives, 45.35 per cent, possessed an experience of 10 to 20 years. Only 20.49 per cent have less than 10 years of service. The number of executives having more than two decades of service comes to 34.16 per cent. It may be noted here that only a few executives (0.82 per cent) are having more than 35 years of service.

Table 4.16

Categorywise distribution of respondents by qualification

Category	Number and percentage in the various educational qualifications				Total No.	Percentage to total
	Doctorates	Professional degree holders	Post graduates	Graduates		
Electrical	--	24 (11.43)	--	16 (20.78)	8 (13.11)	48 13.11
Electronics	2 (100.00)	92 (43.81)	2 (12.5)	22 (28.58)	6 (9.84)	124 33.88
Engineering		50 (23.81)		12 (15.58)	4 (6.56)	66 18.03
Chemicals		32 (15.24)	12 (75.00)	16 (20.48)	36 (59.02)	96 26.24
Textiles		5 (2.38)	1 (6.25)	6 (7.79)	3 (4.91)	15 4.10
Ceramics		6 (2.85)		2 (2.60)	2 (3.28)	10 2.73
Wood-based		1 (0.48)	1 (6.25)	3 (3.89)	2 (3.28)	7 1.91
TOTAL	2	210	16	77	61	366 100.00

Figures in parentheses denote percentages

Source: Survey data.

Table 4.17
Distribution of respondents by years of service and remuneration range

Years of service	Number in the remuneration range (in thousands)										Total Number	Percent-age
	Below 36	36-48	48-60	60-72	72-84	84-96	96-108	108-120				
Below 5 years	8	12	-	-	-	-	-	-	-	-	20	5.46
5 - 10	12	11	24	-	8	-	-	-	-	-	55	15.03
10 - 15	8	223	20	24	18	-	-	-	-	-	93	25.41
15 - 20	2	23	33	9	6	-	-	-	-	-	73	19.94
20 - 25	6	5	26	4	10	-	-	-	4	-	55	15.03
25 - 30	5	13	7	12	-	3	2	4	4	-	46	12.57
30 - 35	2	3	13	3	-	-	-	-	-	-	21	12.57
Above 35	-	2	1	-	-	-	-	-	-	-	3	0.82
Total	43	92	124	52	42	3	2	8	8		366	100.00
Mean age Years in each range	13.5	13.42	18.10	18.75	14.64	27.5	27.5	25.0	25.0		16.93	

Source: Survey data

4.3.5.1 As already noted the maximum number of executives belong to 10 to 20 years of experience and this may be due to the reason that there was rapid growth in number of manufacturing public enterprises and naturally number of appointments during seventies and early eighties in Kerala.

4.3.5.2 Table 4.17 also shows that there is clear relationship between experience and remuneration. All the executives drawing more than Rs.84000 per annum had more than 20 years of experience. On the other extreme none of the executives possessing less than 5 years of experience are drawing more than Rs.48000 per annum.

4.3.5.3 It may be worthwhile to note here that the executives having the highest average years of service are in the Rs.84000-96000 and Rs.96000-108000 remuneration ranges. The executives in the Rs.108000-120000 remuneration range have put in only 25 years of average service. So also those who are having less average experience (13.42 years) belong to higher remuneration (Rs.36000-48000) range whereas executives having more average experience (13.5 years) belongs to a lower remuneration range (Below Rs.36000). This lack of relationship between remuneration and average experience

may be due to the absorption of the highly technically qualified executives with higher scales in the manufacturing enterprises recently.

4.3.5.4 Table 4.18 shows the category-wise experience of executives. The highest average experience of executives are in the Electrical (21.77 years) and chemical industries (19.06 years) whereas the lowest are in the Textile (14.50) and electronic (14.55) industries. Again the maximum number of executives (25.40 per cent) are in the 10-15 year range of service and lowest in the above 35 years (0.82 per cent) range.

4.3.5.5 Table 4.19 presents the distribution by years of service and executive levels. The average experience of senior executives (20.52 years) is much higher than the lower level executives which is only 15.92 years. Again only 29.13 per cent of the lower level executives have put in more than two decades of experience whereas an overwhelming proportion (48.11 per cent) of the senior executives are having more than twenty years of experience.

Table 4.18

Category-wise distribution of respondents by years of service

Category of enterprise	Number in the experience range							Total Number	Average Experience	
	Below 5	5-10	10-15	15-20	20-25	25-30	30-35			Above 35
Electrical	4 (8.33)	-	8 (16.66)	6 (12.50)	10 (20.83)	12 (25.00)	5 (10.42)	3 (6.25)	48	21.77
Electronics	8 (6.45)	22 (17.74)	50 (40.32)	18 (14.51)	13 (10.48)	7 (5.64)	6 (4.83)	-	124	14.55
Engineering	-	20 (30.30)	10 (15.15)	20 (30.30)	8 (12.12)	8 (12.12)	-	-	66	15.45
Chemicals	2 (2.08)	9 (9.37)	20 (20.83)	23 (23.95)	19 (19.79)	14 (14.58)	9 (9.37)	-	96	19.06
Textiles	3 (20.00)	3 (20.00)	3 (20.00)	1 (6.66)	2 (18.33)	2 (13.33)	1 (6.66)	-	15	14.50
Ceramics	2 (20.00)	-	1 (10.00)	3 (30.00)	3 (30.00)	1 (10.00)	-	-	10	16.50
Wood-based	1 (14.28)	1 (14.28)	1 (14.28)	2 (28.57)	-	2 (28.57)	-	-	7	16.00
	20 (5.46)	55 (15.02)	93 (25.40)	73 (19.94)	55 (15.02)	46 (12.56)	21 (5.73)	3 (0.82)	366	100

Figures in parentheses denote percentages

Source: Survey data.

Table 4.19

Distribution of respondents by years of service and executive levels

Year of Service	Executives		Sr. Executives		Total	
	No.	Percent-age	No.	Percent-age	No.	Percent-age
Below 5	20	7.01	0	00	20	5.46
5 -10	40	14.04	15	18.53	55	15.03
10-15	81	28.42	12	14.82	93	25.41
15-20	60	21.05	13	16.06	73	19.94
20-25	46	16.14	9	11.11	55	15.03
25-30	30	10.53	16	19.76	46	12.57
30-35	7	2.46	14	17.24	21	5.74
Total	285	100.00	81	100.00	366	100.00
Mean Service	15.92		20.52		16.93	

Source: Survey data.

4.4 SATISFACTION WITH PAY: AN EMPIRICAL EVIDENCE

It is self-evident that satisfaction with pay is an important element in one's job satisfaction, Table 4.20 and 4.21 elicited the opinion of executives with regard to their earnings satisfaction and job satisfaction. Rice and

Mefarlin (1990) is of the opinion that in many cases greater rewards do not provide greater contentment. Of course those with the highest pay are not always the most satisfied with their pay. But Karunakaran (1992, 11) pointed out, "probably the greatest prize a person can get from his or her employment is job satisfaction. The best companies to work for recognition and deal with this very important work incentive." This point is well brought out by Tata (1970, 786).

"... while pay is obviously not the only criterion of job satisfaction, it is an important factor and by limiting the salaries of the men in charge of public sector enterprises to those prevailing in government service, public sector enterprises are deprived, to their great detriment, of the opportunity to attract the best commercial and industrial talent in the country."

4.4.1 Table 4.20 reveals the opinion of the executives with regard to their earnings satisfaction. Out of the 366 respondents only 174 (47.53 per cent) are either satisfied or somewhat satisfied with their remuneration. It is interesting to note that the same number are either not satisfied or frustrated. Level-wise analysis also reveals that an overwhelming proportion (56.82 per cent) of the lower level executives are dissatisfied whereas only few

Table 4.20
Earnings satisfaction of respondents

Opinion	Executives	Sr. Executives	Total
Satisfied	25 (8.77)	24 (29.62)	49 (13.38)
Somewhat satisfied	84 (29.47)	41 (50.62)	125 (34.15)
No opinion	14 (4.91)	4 (4.94)	18 (4.92)
Not satisfied	114 (40)	10 (12.34)	124 (33.38)
Frustrated	48 (16.84)	2 (2.47)	50 (13.67)
Total	285 (100)	81 (100)	366 (100)

Figures in parentheses denote percentages.

Source: Survey data.

(14.81 per cent) executives in the senior level are dissatisfied or frustrated with what they are getting from their job. It is observed that 50.62 per cent of the senior executives are somewhat satisfied and 29.62 per cent are satisfied with their remuneration. This means that the dissatisfaction and frustration with regard to remuneration is more among the lower level executives. From discussions

with the executives in different concerns it is understood that the Lower level executives are more concerned with their pay, while the senior and aged executives are not that much concerned and they are generally satisfied with their remuneration for enjoying a settled life.

4.4.2 Regarding job satisfaction, Table 4.21 shows 242 (66.12 per cent) executives are highly satisfied, satisfied, or at least somewhat satisfied with their job

Table 4.21
Job satisfaction of respondents

Opinion	Executives	Sr.Executives	Total
Highly satisfied	25 (8.77)	15 (18.5)	40 (10.93)
Satisfied	45 (15.79)	6 (7.40)	51 (13.93)
Somewhat satisfied	117 (41.05)	34 (41.97)	151 (41.26)
Not satisfied	75 (26.31)	22 (27.16)	97 (26.50)
Frustrated	23 (8.07)	4 (4.94)	27 (7.38)
Total	285 (100)	81 (100)	366 (100)

Figures in parentheses denote percentages.

Source: Survey data.

but as already noted only 174 executives (47.53 per cent) are only satisfied or somewhat satisfied with their remuneration. Much difference can also be seen with regard to the number of dissatisfied and frustrated executives. The number of dissatisfied and frustrated executives are relatively more in the case of earnings satisfaction. The number of dissatisfied and frustrated executives (Table 4.20) comes to 47.5 per cent (33.38 + 13.67) in the case of earnings satisfaction whereas it is only 33.88 per cent (26.50 + 7.38) in the case of job satisfaction. The level-wise analysis also shows almost the same pattern which implies the need for a change in the remuneration policy of the executives in the Manufacturing public enterprises in Kerala. This emphasise the need for a proper and rational criteria for the determination of executive remuneration in the public sector manufacturing industries.

4.5 UTILISATION OF QUALIFICATIONS

Question No.23 (Questionnaire No.I) was meant for extracting information related to the executives perception regarding utilisation of their qualifications for the functions they perform in the organisation. Table 4.22 reveals that out the total executives responded 241 (64.8 per cent) were perceived that their qualifications are

Table 4.22
Respondent's perception regarding utilisation of
qualification

Opinion	Executives	Sr.Executives	Total
Very much utilised	60 (21.05)	12 (14.80)	72 (19.67)
Somewhat utilised	122 (42.80)	47 (58.02)	169 (46.17)
No opinion	14 (4.91)	2 (2.47)	16 (4.37)
Not properly utilised	65 (22.80)	6 (7.41)	71 (19.39)
Not at all utilised	24 (8.42)	14 (17.28)	38 (10.38)
Total	285 (100)	81 (100)	366 (100)

Figures in parentheses denote percentages.

Source: Survey data.

either every much or somewhat utilised. Only 29.77 per cent (19.39 + 10.38) are of the opinion that their qualifications are either not properly utilised or not at all utilised. The level-wise analysis also shows close resemblance in the pattern of opinion reported by these executives.

4.5.1 In this context it is worthwhile to point out the number and percentage of executives who obtained additional

qualifications after joining the company. Table 4.23 reveals that only 44 (15.44 per cent) executives from lower level and 11 (13.88 per cent) from senior executive level obtained additional qualifications. The aggregate percentage comes to 15.02. The percentage of senior executives who obtained additional qualifications is

Table 4.23
Number and percentage of respondents obtained
additional qualification

Opinion	Executives	Sr.Executives	Total
No.of Executives	44 (15.44)	11 (13.88)	55 (15.02)
Total Number	285 (100)	81 (100)	366 (100)

Figures in parentheses denote percentages.

Source: Survey data.

comparatively less inspite of more years of service in the organisation. This shows that the lower level executives are more interested to obtain additional qualifications. This may be due to the desire either for getting quick promotions or for seeking better opportunities elsewhere.

4.6 VIEWPOINTS REGARDING METHOD OF PAYMENT

Table 4.24 depicts the viewpoints of the executives regarding method of payment. Regarding the Cafeteria approach of payment majority are reported favourable opinion. Of the 262 executives (71.58 per cent) are favourable to flexible benefits plan by choosing their opinion as very good, good or fair. On the other extreme only 44 (12.02) executives stated that it is bad. This implies that the majority of executives are not satisfied with the present system of remuneration followed in these enterprises. In the light of the discussions with these executives, many of them expressed that there is no measure

Table 4.24

Opinion regarding cafeteria approach of payment

Category	Very good	Good	Fair	Not good	Bad	Total
Executives	44 (15.44)	75 (26.31)	81 (28.42)	45 (15.79)	40 (14.03)	285 (100)
Sr.Executives	15 (18.5)	34 (41.97)	18 (22.22)	8 (9.87)	4 (4.93)	81 (100)
Total	59 (16.12)	104 (28.41)	99 (27.05)	53 (14.48)	44 (12.02)	366 (100)

Figures in parentheses denote percentages.

Source: Survey data.

or criteria to demarcate between efficient and inefficient executives. It may be pointed out here that Cafeteria approach of payment will definitely help the executives to choose their own method which will definitely increase the efficiency and performance of these executives. As rightly pointed out by Woodley (1990, 42), "many employers will be enlisting the support of flexible (Cafeteria) compensation over the next year or two to provide much needed assistance in achieving their human resource objectives. There are number of positive factors which will tip the balance towards flexible compensation now and in the years to come". The above opinion is equally true in the case of Kerala Public Sector Manufacturing enterprises. Iseri and Cangemi (1990, 30) are of the view that "No benefit programme flexible or otherwise is without problems. In some cases flexible plans may create problems that defy solution. Such plans are expensive to implement. Yet findings suggest that executives whose companies do not have flexible benefit programmes tend to exaggerate the problems associated with such plans.

4.6.1 It is interesting to note here the viewpoints of executives regarding 'performance based pay'. Unlike in the case of Cafeteria approach of payment, majority of the

Table 4.25
Opinion regarding 'performance based pay'

Category	Very good	Good	Fair	Not good	Bad	Total
Executives	25 (8.77)	24 (8.42)	61 (21.40)	88 (30.87)	87 (30.53)	285 (100)
Sr.Executives	6 (7.40)	21 (25.92)	9 (11.11)	31 (38.27)	14 (17.28)	285 (100)
Total	31 (8.46)	45 (12.29)	70 (19.12)	119 (32.51)	101 (27.59)	366 (100)

Figures in parentheses denote percentages.

Source: Survey data.

executives (60.10 per cent) are not favouring performance based pay. One hundred and nineteen executives (32.51 per cent) reported that 'performance based pay' is not good and 101 executives (27.59 per cent) stated it as bad. From the discussions with these executives the investigator understood that lack of a proper tool to measure the efficiency of executives is one of the main reasons for this. Of course, job evaluation technique and 'Performance Appraisal' etc. can be applied for measuring performance of executives, it has obvious limitations. "In job evaluation we are measuring the worth of the job and not the man; in

performance appraisal we are measuring the worth of the man" (Paterson, 1972, 7). In the case of executives the person is priced rather than the job. Therefore, performance appraisal is a better tool to evaluate executive performance. But it has also its own limitations. As Bolar (1978, 7) puts it, "Performance appraisal makes the assumption that the superior can know enough about the subordinate to decide what is best for him."

4.7 INTERNAL AND EXTERNAL EQUITY

Table 4.26 reveals that 39 (10.65 per cent) executives are of the opinion that the internal alignment (equity) in executive remuneration are very good.

Table 4.26

Perception regarding internal equity in remuneration

Category	Very good	Good	Fair	Not good	Poor	Total
Executives	21 (7.36)	114 (40)	84 (29.47)	62 (21.75)	4 (1.40)	285 (100)
Sr. Executives	18 (22.22)	26 (32.09)	15 (18.51)	10 (12.34)	12 (14.81)	81 (100)
Total	39 (10.65)	140 (38.25)	99 (27.05)	72 (19.67)	16 (4.37)	366 (100)

Figures in parentheses denote percentages.

Source: Survey data.

One hundred and forty executives (38.25 per cent) are perceived that it is 'good' and 99 persons stated it as 'fair'. Only 72 persons (19.67 per cent) and 16 persons (4.37 per cent) respectively are of the opinion that the comparative remuneration pattern of executives within the organisation is either 'not good' or 'bad'. The level-wise opinion also shows the same trend. From this it may be understood that lack of internal equity in executive remuneration is not a serious problem in the Kerala Manufacturing Public Sector enterprises. But talks with these executives revealed that external inequity and inconsistency in promotional policies really affect the morale of these executives.

4.8 SOURCES OF INCOME AND MOONLIGHTING

The majority of executives are not having any other source of income and the number of executives who are having considerable amount of income from other sources are few. Table 4.27 shows that an overwhelming proportion (63.38 per cent) has no other source of income than their salary income. In the case of lower level executives the percentage is slightly less and stands at 62.10 per cent while at the senior level it is 67.90 per cent. On the other extreme, executives having other sources of income

Table 4.27

Details regarding the number of executives having income
from other sources

Remuneration range	Executives	Sr.Executives	Total
Nil	177 (62.10)	55 (67.90)	232 (63.38)
Below 10000	25 (8.77)	10 (12.34)	35 (9.56)
10000-20000	21 (7.36)	6 (7.40)	27 (7.37)
20000-30000	29 (10.17)	0 (0.00)	29 (7.92)
30000-40000	25 (8.77)	3 (3.70)	28 (7.65)
40000-50000	5 (1.75)	5 (6.17)	10 (2.73)
Above 50000	3 (1.05)	2 (2.46)	5 (1.36)

Figures in parentheses denote percentages.

Source: Survey data.

amounting to more than Rs.50000 per annum are also very few. From this it can be stated that their salary constitute the major portion of their income and therefore any increase or decrease in their salary will affect the morale and motivation of these executives.

4.8.1 In this connection, it is worthwhile to analyse the sources of income of these executives. Table 4.28 reveals that only 51 (13.91 per cent) of these executives' spouses were employed and 83 (22.67 per cent) were getting income from other sources. This can be either from agriculture or due to moonlighting (Jacques, 1989) by these executives. From the discussions it has been revealed that some executives are doing business by involving their spouses or children as partners. It is observed from the table that presently, a very limited number of employees do moonlighting. But the number of executives who do moonlighting will go on increasing due to the gap in the remuneration because of inflation and high cost of living.

Table 4.28
Number and employment details of spouse

	Executives	Sr.Executives	Total
Spouse employed	38 (13.33)	13 (16.04)	51 (13.91)
Income from other sources	70 (24.56)	13 (16.04)	83 (22.67)
Salary income only	177 (62.10)	55 (67.90)	232 (63.38)
Total	285	81	366

Figures in parentheses denote percentages.

Source: Survey data.

As rightly pointed out by Bhatia, (1990, 16), "For a successful working of remuneration policy it is imperative to have price stability and if there is no price stability real wage will dwindle." When the real income dwindle the executives will go on demanding for hike in salaries and other benefits. "The moonlighting will be increased from dark moon to full moon and expanded to dark moonlighting if the management does not accept the demand of the employees. Thus the different degrees of moonlighting by employees will affect human resource management in future adversely" (Rao, 1992, 105).

4.9 SPAN OF CONTROL

In fact span of control does not have a bearing on the remuneration of executives in the Kerala manufacturing public sector executives. The number of persons under the direct control of executives can be seen from Table 4.29. The average number comes to 17.06. The level-wise analysis shows that the number of persons under the direct control of lower level executives comes to 18.97 whereas at the senior executive level, it was only 12.81.

Table 4.29
Details of span of control of respondents

Range	Executives	Sr.Executives	Total	Percentage
Less than 5	31	24	55	15.02
5 - 10	60	11	71	19.39
10 - 15	65	15	80	21.85
15 - 20	35	16	51	13.93
20 - 25	21	4	25	6.83
25 - 30	17	6	23	6.28
30 - 35	15	4	19	5.19
35 - 40	14	-	14	3.82
40 - 45	6	1	7	1.91
45 - 50	11	0	11	3.00
Above 10	10	0	10	2.73
	285 (18.91)	81 (12.81)	366 (17.06)	100.00

Figures in parentheses denote percentages.

Source: Survey data.

4.10 JOB HOPPING OF EXECUTIVES

Table 4.30 presents the job hopping patterns of the executives. Two hundred and seven (56.71) have not changed their organisations at all. Only 102 (27.86) of the executives at least once. Only few executives rotated organisations more than three times. Their total number

comes to only 6 (1.63 per cent). It is notable that there is no significant change in the pattern of job hopping at various levels of executives.

Table 4.30
Job hopping of executives

	Executives	Sr.Executives	Total
First job	167 (58.59)	40 (49.38)	207 (56.71)
Second job	79 (27.72)	23 (28.39)	102 (27.86)
Third job	37 (12.98)	14 (17.28)	51 (13.93)
Fourth job	2 (0.55)	3 (3.70)	5 (1.36)
Fifth and above	0	1 (1.23)	1 (0.27)
Total	285	81	366

Figures in parentheses denote percentages.

Source: Survey data.

4.10.1 It may be noted that inspite of dissatisfaction in pay, only a few executives changed their organisations several times. Perhaps this may be due to the lack of

initiative the organisations are taking to recruit efficient personnel. Ultimately the efficient executives may become dissatisfied and inefficient are forced to stick on to the same organisation.

Chapter 5

INTER AND INTRA-DIFFERENTIALS IN REMUNERATION

5.1 The empirical analysis made in the last chapter is based on the perceptions of executives in the various manufacturing public enterprises and also on the observations made during the study. The present chapter examines the inter and intra-industry differentials in executive remuneration based on the data collected from these organisations in order to know how far we can corroborate with the results of the questionnaire survey. With this view the data has been collected from the various individual units of the different categories of industries regarding the pay scales of executives. The data has been analysed unit-wise as well as category-wise in order to find out the degree of variation in remuneration. Further, it is also analysed on the basis of the grades of executives at the minimum and maximum of scale of pay. Of course, this is subject to the limitation that the names of the enterprises are not revealed as the area is so delicate, sensitive and confidential. The percentage change-over is used to find out the variation in remuneration over the period under study.

5.2 Table 5.1 reveals the disparities in basic pay of different grades of executives in selected manufacturing

public enterprises in Kerala as on March 1992. Two units from each category on the basis of maximum variation has been selected for analysis in order to find out the intra and inter-differentials in remuneration. There exists wide disparity in the basic pay of executives not only in the different categories of industries but also within the same category. For example, at the lowest executive grade, i.e., for Assistant Engineer the basic pay at the minimum of scale varies from Rs.310 to Rs.1800. The information collected personally from these organisations revealed that an organisation (Unit No.6), has not revised their pay scales after 1974. The same is the case with many of these organisations and there is no uniformity as far as the period of revision is concerned. This is a clear example for the poor personnel policies of these organisations. As rightly pointed out by Wani (1989, 132). "The remuneration policy is based on traditional and irrational principles which proved detrimental to the very interests of both the enterprise and personnel."

5.3 All the various grades of executives shown in the first column of Table 5.1 do not exist in all the enterprises. Except in the electronics category of enterprises, there is wide differentials in the basic pay, not only for the same posts in different categories but

Table 5.1
Disparities in the Basic pay of executives at the minimum of scale of pay in the select enterprises
from the various categories of manufacturing public enterprises in Kerala

Enterprises	1	2	3	4	5	6	7	8	9	10	11	12	13	14
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
Asst. Engineer/ Asst. Officer	1050	1100	1800	1800	1130	310	1370	800	1370	1100	1650	1600	935	1370
Deputy Engineer/ Deputy Officer**	--	--	1950	1950	1250	325	--	--	--	--	--	--	--	--
Engineer/Officer	--	--	2150	2150	1590	750	--	--	--	--	--	--	--	--
Sr. Engineer/ Sr. Officer	1250	1500	2250	2250	1770	--	--	--	1450	1500	1830	--	--	--
Asst. Manager	1410	1500	2700	2700	1990	900	1590	1100	1650	1900	2310	1900	1085	1450

(contd....)

Table 5.1 (contd.)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
Deputy Manager	1830	1900	3000	3000	2310	--	2070	--	--	--	2640	--	--	--
Manager	2310	2300	3200	3250	3050	1300	2640	1600	1830	2300	3050	2200	1435	1830
Senior Manager	3050	2600	3500	3500	3175	--	2825	1650	2070	2600	3300	--	--	--
Asst. General Manager	--	2800	--	--	3955	--	--	--	--	--	--	2700	--	--
Deputy General Manager	--	3000	--	--	4265	--	--	--	--	--	--	--	--	--
General Manager	3425	3500	4200	4200	4775	--	3050	1700	2470	3000	3050	3200	--	2470

Source: Survey data.

* The name of the organisation is not revealed as the data has been collected on the condition that it should be kept confidential

** All the posts are not existing in all organisations.

also for the same posts in the same category of enterprises which produce the same type of product. In general, some pay differentials are legitimate and desirable, others unjustified and anomalous. Internally there is the differential between the lowest and highest salaries in a unit. This may depend on the size of the organisation, the degree of sophistication in technology, the supervisory structure and similar considerations. But the range should be wide enough to promote acquisition of skills and qualities required for aspiring to the highest pay group. Externally disparities in salary levels may exist between different units, industries or sectors. In some cases they may be justified for policy reasons but these have to be within reasonable limits. But in the Kerala public enterprises the range of existing intra and inter-industry disparities in executive earnings appears too wide. Discussions with several executives in the Kerala public enterprises revealed that the wide disparities in pay for doing the same type of work or shouldering similar responsibilities is frustrating and frequently the main reason for unrest. As rightly pointed out in the Report of the Finance Commission (1973, 57), "Very wide disparities in emoluments, where duties and qualifications are easily comparable, are bound to generate discontent and impair maintenance of reasonable standards of efficiency in administration."

5.4 From Table 5.1 it is found that wide differences are existing in all levels of executives except for Managing Directors, as their pay scales are revised recently by the Government. The Kerala Government revised the pay scales of Managing Directors of all the public enterprises by making a substantial increase in their remuneration on the basis of the classification done by the Bureau of Public Enterprises (Table 5.2). Those in the grade 'A' received a substantial increase of Rs.4,500 in their basic pay whereas those enterprises under grade 'B' received Rs.4,000 and grade 'C' received Rs.3,500. The lowest increase in the basic pay has been effected in 'F' grade companies which amounts to Rs.525 only.

Table 5.2

The Revised Pay Scales of Managing Directors of Public Enterprises in Kerala

Grade	Scale of Pay
A	8500-200-9500
B	7500-200-8500
C	6500-175-7550
D	4435-170-5625
E	3550-125-3675-140-4095-170-5285
F	2825-100-2925-125-3675-140-4095-170-4435

Source: Malayala Manorama, Kottayam, 4th Aug., 1992.

5.5 Table 5.3 reveals the disparity in basic pay in different grades of executives in the lowest and highest paid industries at the minimum and maximum in the scale of pay. The table shows that the maximum variation is in the Chief Executive's, and General Manager's grade which shows a big difference of Rs.5,675 and Rs.3075 respectively. Due to the recent revision of pay, there is clear criterion (size of the organisation) regarding the pay of chief executive officers of these enterprises. But there is no such criterion in the case of all the other executive grades.

5.5.1 Although the highest difference is seen in the highest two grades, in all the other cases there is no such pattern. For example, the variation in the basic pay of Deputy Manager grade is Rs.2,000 whereas in the Assistant General Manager grade the difference at the minimum of scale between the various industries are only Rs.1,155. Like-wise at the maximum of scale also the highest variation are for the chief executives and General Manager respectively but no such pattern existing at the lower grades or down the order. At the Deputy General Manager grade the variation at the maximum of scale is only Rs.1,090 whereas at the senior Manager grade (a much lower grade) it comes

Table 5.3

Disparities in the basic pay in different grades of executives in the lowest and highest paid industries at the minimum and maximum of scale of pay

	Asst.Egr./ Asst.Officer	Dy.Egr.	Ex.Egr./ Officer	Sr.Egr.	Asst.Egr.	Dy.Mgr.	Manager	Sr.Mgr.	AGM	DGM	GM	CEO
<u>Minimum Pay Scale</u>												
Highest (in Rs.)	1800	1950	2150	2250	2700	3000	3250	3500	3955	4265	4775	8500
Lowest (in Rs.)	310	325	750	1250	800	900	1300	1650	2800	3000	1700	2825
Difference in Basic Pay at the minimum	1490	1625	1400	1000	1900	2000	1950	1850	1155	1265	3075	5675
<u>Maximum Pay Scale</u>												
Highest (in Rs.)	2700	2850	3050	3350	3700	4050	4500	5000	5455	5965	6305	9500
Lowest (in Rs.)	830	950	1400	2310	1500	1500	1900	2250	4300	4875	1700	4435
Difference in Basic Pay at the maximum	1870	1900	1650	1040	2200	2550	2600	2750	1155	1090	3805	5065

Source: Survey data.

to Rs.2,750. In short, there exists not only wide variations in the pay pattern in the various grades of executives at the minimum and maximum of scale of pay but also no uniformity or regularity in the variation of pay between different grades in the various manufacturing industries.

5.6 Table 5.4 gives the total emoluments (Basic pay + DA + Cash allowance) of executives per month at the minimum and maximum of scale in selected public enterprises where similar executive grades are existing. The total emoluments at the minimum of scale for Assistant Engineer grade varies from Rs.496 to Rs.2,880. At the other extreme, the maximum of scale for Assistant Engineer grade varies from Rs.1,328 to Rs.4,520. For the Assistant Manager grade at the minimum of scale the pay varies from Rs.1,200 to Rs.3,696 whereas at the maximum of scale it varies from Rs.2,240 to Rs.5,485. Similarly wide disparities and anomalies can be seen in all other executive grades also where pay is fixed without any rational criteria or logical reasoning.

5.7 Table 5.5 reveals the total emoluments (Basic pay + DA) of executives at the highest and lowest paid manufacturing public enterprises in Kerala as on March

Table 5.4

Emoluments (pay + D.A) per month at the minimum and maximum of scale on March 1991 in the manufacturing PE's, where similar posts exist

PE*	Asst. Engineer		Asst. Manager		Deputy Manager		Manager		General Manager	
	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.
A	1680	2028	2256	4224	2928	5335	3696	5600	5480	6900
B	1808	2928	3184	5740	3696	5880	4880	6220	6560	8090
C	2192	4224	2320	4520	2928	5480	3312	5335	3952	5460
D	2880	4320	4320	5485	4800	5865	5200	6285	5985	7285
E**	496	1328	1200	2240	1440	2400	2080	3040	2560	3680
F	1760	3200	2400	4080	3040	4960	3680	5585	5600	6785
G	2640	4520	3696	5460	4224	6060	4880	6560	5400	7550
H	2192	4224	2544	4880	3312	5335	4224	5600	5280	6900
I***	1200	2240	1280	2400	2560	3680	2640	3600	2720	4000
J	2560	3920	3040	4520	3520	5360	4320	5835	5120	6585
K	1496	2432	1736	2840	1808	2928	2295	3526	4320	5835

* Name of PE's not disclosed as the data has been collected on this condition

** Pay scales has not revised since 1974

*** Pay scales has not revised since 1978

Source: Survey data.

Table 5.5

Emoluments (Basic Pay + D.A.) per month at the highest and lowest paid Public Enterprises
in Kerala on March 1992 at the minimum of pay scale

Sl.No.	Executive Grade	Organisation	Basic pay	D.A.	Total
(1)	(2)	(3)	(4)	(5)	(6)
1.	Assistant Engineer/ Assistant Officer	Highest paid* Lowest paid	1800 310	1080 186	2880 496
2.	Deputy Engineer/ Deputy Officer	Highest paid Lowest paid	1950 325	1170 195	3120 520
3.	Engineer/Officer	Highest paid Lowest paid	2150 750	1290 450	3440 1200
4.	Senior Engineer/ Senior Officer	Highest paid Lowest paid	2250 1250	1350 750	3600 2000
5.	Assistant Manager	Highest paid Lowest paid	2700 750	1620 450	4320 1200
6.	Deputy Manager	Highest paid Lowest paid	3000 900	1800 540	4800 1440

Table 5.5 (contd.)

(1)	(2)	(3)	(4)	(5)	(6)
7.	Manager	Highest paid Lowest paid	3250 800	1950 480	5200 1280
8.	Senior Manager	Highest Paid Lowest paid	3500 1650	2100 990	5600 2640
9.	Assistant General Manager	Highest paid Lowest paid	3955 2800	1785 1680	5740 4480
10.	Deputy General Manager	Highest paid Lowest paid	4265 3000	1785 1800	6050 4800
11.	General Manager	Highest paid Lowest paid	4775 1700	1785 1020	6560 2720
12.	Chief Executive* / Managing Director	Highest paid Lowest paid	8500 2825	1785 1695	10285 4520

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* Basic pay of Chief Executives was revised in August 1992 with retrospective effect.

** Pay scales not revised since 1974.

Source: Survey data.

1992. This table also substantiates the view that wide disparity in remuneration exists even in the same grade of executives.

5.8 CATEGORY-WISE ANALYSIS

Table 5.6 shows the mean monthly earnings of executives (Pay, DA + HRA) in the various categories of manufacturing public enterprises in 1990-91, along with the mean age of the company, number of employees and number of executives. Even though the mean age of the company and the mean experience of executives in the electrical category are much higher compared to other category, the table shows not much difference in their remuneration. Of course, the mean remuneration of executives in the electrical category are the highest (Rs.4,095 and Rs.6,397) both at the lower executive level and higher executive level. The questionnaire survey, (chapter 4) also shows similar results. It is interesting to note that even though the mean age of enterprises in the electronic category is the lowest, their mean remuneration is second highest both at the lower and senior executive levels.

5.9 Table 5.7 reveals the variation in the mean monthly earnings of executives in each category of

Table 5.6

Mean monthly earnings (Pay, D.A., H.R.A.) of executive personnel in the various categories of public enterprises in 1990-91

Sl.No.	Industrial category	No. of units	Mean age of the company (years)	Total personnel	No. of employees	No. of executives	Earnings of executives	
							Lower level	Senior level
1.	Electrical equipment	5	35	3711	34223	289	4095	6397
2.	Electronics	10	17	3874	3048	826	4078	6146
3.	Engineering	10	19	3323	2959	364	3779	5497
4.	Textiles	4	20	2986	2919	67	3103	4736
5.	Ceramics & Refractories	5	24	1474	1425	49	3010	4487
6.	Chemical industries	9	23	5826	5384	442	3126	4609
7.	Wood-based industries	3	24	876	850	26	3130	3966
Total		46	23.14	22070	20007	2063	3474	5119

Source: Bureau of Public Enterprises, A-Review of Public Enterprises in Kerala-1992, Government of Kerala, Thiruvananthapuram.

industries from the year 1984-85 to 1990-91. It is interesting to note that in the year 1984-85 the highest mean remuneration for lower level executives was enjoyed by the executives in the wood-based category of industries whereas in the year 1990-91 their mean remuneration is the lowest compared to the other category of industries. The percentage change-over also shows that the increase is the lowest (66.23 per cent) in wood-based industries and highest (146.83 per cent) in Engineering category from 1984-85 to 1990-91 period.

5.9.1 Byrne (1991, 53) aptly remarked "Every year you think it cannot possibly go any higher - but then it does. It just seems to get more absurd each year. What outrages one year becomes a standard for the next, and no one is in a position to say no." Thus once there is some variation in remuneration it would go on without any limit and ultimately wide gap exists. Except in the electronic category all other categories showed inconsistency. The executives in the electronic category received the second position in 1984-85 and they maintained the same position in the year 1990-91 also. It is worthwhile to note here that electronic category of industries are the only category of industries which maintained some sort of consistency as far as the remuneration policy is concerned.

5.10 Table 5.7 reveals year-wise percentage change over in the mean remuneration of lower level executives from 1984-85 to 1990-91. The executives in the wood-based (45.66 per cent) electrical (29.27 per cent), and ceramic (17.57 per cent) category of industries enjoyed maximum benefit in the year 1988-89, whereas electronics (29.60 per cent), engineering (23.05 per cent), textiles (20.74 per cent) and chemicals (50.85 per cent) received maximum hike in remuneration in the year 1987-88. Hence it is very much obvious that the above increase in the percentage of remuneration was due to revision of pay scales of executives also rather than the annual increment only. From the above, two conclusions can be drawn. First, the increase in remuneration in these industries varies widely (17.57 per cent to 50.85 per cent). Secondly, the revision of pay scales of these industries has taken place at different periods which also increased the disparity in the earnings of executives in different categories of industries. Discussions with the executives revealed that this inequitable payment causes dissatisfaction and leads to disputes between management and executives.

5.10.1 Table 5.7 (last column) also shows the percentage change over in the remuneration of lower level executives

Table 5.7
 Mean remuneration and the percentage change over in the remuneration of lower level executives in
 the manufacturing Public Enterprises in Kerala from 1984-85 to 1990-91

Sl. No.	Category	Remuneration in thousands (Rs.)								
		1984-85 Base year	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91	1984-85 to 1990-91	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
1.	Electrical	1786	2004 (12.21)	2172 (3.39)	2590 (19.224)	3348 (29.27)	3746 (11.83)	4095 (9.32)	129.28	
2.	Electronics	1804	1966 (8.98)	2142 (8.95)	2776 (29.60)	2908 (4.75)	3267 (12.34)	4078 (24.82)	126.05	
3.	Engineering	1531	1656 (8.16)	1826 (10.26)	2247 (23.05)	2681 (19.31)	3185 (18.79)	3779 (18.65)	146.83	
4.	Textiles	1780	1894 (6.40)	2145 (13.25)	2590 (20.74)	2476 (-4.40)	2780 (12.27)	3103 (11.62)	174.32	

(Contd....)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
5.	Ceramics	1652	1644 (-0.48)	1824 (10.94)	1963 (7.62)	2308 (17.57)	2650 (14.82)	3011 (13.53)	(82.20)
6.	Chemicals	1748	1766 (1.03)	1880 (6.45)	2836 (50.85)	2914 (2.75)	3368 (15.58)	3125 (-7.13)	(78.83)
7.	Wood-based	1883	1819 (-3.39)	1822 (0.22)	2201 (20.80)	3206 (45.66)	3207 (0.03)	3130 (-2.43)	(66.22)
	Total Mean Remuneration	1740	1821 (4.65)	1973 (8.25)	2457 (24.53)	2834 (15.34)	3172 (11.93)	3474 (9.52)	(99.65)

Figures in parentheses denote percentages.

Source: A Review of Public Enterprises, Bureau of Public Enterprises,
Government of Kerala, Thiruvananthapuram, 1985 to 1992.

for the whole period of study. The percentage change-over from 1984-85 to 1990-91, 74.32 per cent (Textiles) to 146.83 per cent (Engineering) also indicated wide variation in the increase in remuneration. In all the other categories also there is no consistency or uniformity as seen from the table.

5.11 Table 5.8 reveals the variation in the remuneration of higher level executives. The maximum increase in remuneration for the electrical category of industries (40.10 per cent) was in the year 1988-89 whereas the executives in the electronic category received the maximum (38 per cent) in remuneration in the year 1989-90. The executives in the engineering (61.46 per cent) and textiles (20.74 per cent) enjoyed maximum benefit in the year 1986-87, while ceramics, chemicals and wood-based industries got substantial increase in their pay in the year 1987-88, which amounts to 22.66 per cent, 31.36 per cent and 49.02 per cent respectively.

5.11.1 The percentage change-over in the remuneration of higher level executives of the various categories from 1984-85 to 1990-91 (Table 5.8) also indicates wide variation. The percentage change-over in the remuneration

Table 5.8

Mean remuneration and the percentage change-over in the remuneration of senior level executives in the manufacturing public enterprises in Kerala from 1984-85 to 1990-91

Category	Remuneration in thousands (Rs.)							
	1984-85 base year	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91	1984-85 to 1990-91
Electrical	2124	2794 (31.54)	3204 (14.67)	3441 (7.39)	4821 (40.10)	5550 (15.12)	6397 (15.26)	(201.17)
Electronics	2627	2996 (13.95)	3314 (10.61)	4153 (25.32)	3939 (-5.15)	5436 (38.00)	6146 (13.06)	(133.77)
Engineering	2292	2743 (19.68)	4429 (61.46)	4122 (-6.93)	4591 (11.37)	5068 (10.38)	5497 (8.27)	(139.83)
Textiles	2638	2588 (-1.89)	3125 (20.74)	3478 (11.29)	3768 (8.34)	4035 (7.08)	4735 (17.37)	(79.52)
Ceramics	2305	2674 (16.01)	2855 (6.76)	3502 (22.66)	3622 (3.43)	4078 (12.58)	4487 (10.33)	(94.66)
Chemicals	2184	2689 (23.12)	3205 (19.18)	4210 (31.36)	4217 (0.17)	4810 (14.06)	4609 (-4.18)	(111.03)
Wood-based	2051	2674 (30.37)	2805 (4.89)	4180 (49.02)	3988 (-4.35)	3700 (-7.45)	3965 (7.15)	(93.36)
Mean total	2317	2737 (18.12)	3276 (19.69)	3869 (18.10)	4136 (6.90)	4668 (12.86)	5119 (9.65)	(120.93)

Figures in parentheses denote percentages.

Source: Bureau of public enterprises, A Review of Public Enterprises in Kerala 1985-1992, Government of Kerala, Thiruvananthapuram.

over the above seven years for the higher level executives in the various categories of industries varies between 79.52 per cent (Textiles) to 201.17 per cent (Electrical). Table 5.8 (last column) also reveals that there was wide variation in remuneration; over these years between the other categories of industries also.

5.12 Table 5.9 shows a comparison of absolute and percentage variations in the mean remuneration of executives in the various categories of industries from 1984-85 to 1990-91. From the table it is clear that the maximum percentage increase in the remuneration of 'senior executives' is enjoyed by the executives in the electrical category (201.17 per cent), while the lowest increase is for the executives in the textile category (79.52 per cent). In the case of absolute variation also senior executives in the electrical category received highest benefit (Rs.4273) over the period whereas executives in the wood-based industries got the lowest increase (Rs.1915). But as seen from Table 5.9 the lower level executives in the engineering industries received maximum increase as far as the percentage variation is concerned but executives in the electrical category of industries got maximum (Rs.2309) absolute increase in remuneration. At the other extreme,

Table 5.9

Absolute and percentage variations in the mean remuneration of lower and senior level executives in the various categories of manufacturing public enterprises between 1984-85 to 1990-91

Category	Executive level	Remuneration in 1990-91	Remuneration in 1984-85	Absolute variation	Percentage variation
Electrical	Lower	4095	1786	2309	129.28
	Senior	6397	2124	4273	201.17
Electronics	Lower	4078	1804	2274	126.05
	Senior	6146	2629	3517	133.77
Engineering	Lower	3779	1531	2248	146.83
	Senior	5497	2292	3205	139.83
Textiles	Lower	3103	1780	1323	74.32
	Senior	4736	2638	2098	79.52
Ceramics	Lower	3010	1652	1358	82.20
	Senior	4487	2305	2182	94.66
Chemicals	Lower	3126	1748	1378	78.83
	Senior	4609	2184	2425	111.03
Wood based	Lower	3130	1883	1247	66.22
	Senior	3966	2051	1915	93.37
Grand mean	Lower	3474	1740	1734	99.65
	Senior	5119	2317	2802	120.93

Source: Bureau of Public Enterprises, A Review of Public Enterprises in Kerala from 1985-1992, Government of Kerala, Thiruvananthapuram.

lower level executives in the wood-based industries received the lowest benefit both in the percentage variation (66.22) and absolute variation (Rs.1247) are concerned. The absolute and percentage variations in executives remuneration between enterprises in the various industrial category are shown in Annexure VI.

5.13 From the above analysis, it is clear that there exists wide disparities and no uniformity or consistency is followed for the determination or revision of pay scales of executives (both lower and higher level) in the manufacturing public enterprises in Kerala. Thus the secondary data regarding the remuneration of executives also confirms most of the survey results.

Chapter 6

SIZE, PROFITABILITY AND PAY-ROLL

6.1 In this chapter an attempt is made to analyse the financial data to find out the prominent factors that determine the level of executive remuneration. In fact, the analysis is carried out for testing the fourth hypothesis of the study: the size of the organisation has more significant influence in the determination of executive remuneration than its profitability.

6.2 Over the last half a Century, scholars have been debating over the issue of executive remuneration and its relation to the size of the organisation and profitability. The controversy over the degree of influence of size and profits on executive remuneration is largely illfounded. Advocates on both sides of the debate--those who favour the size maximisation hypothesis and those who favour profit maximisation seem to argue that the controversy can be resolved by infallible and unambiguous evidence that can lead to the rejection of one hypothesis and to the exclusive confirmation of the other.

6.3 It may be noted that several studies (Simon, 1957; Mcquire, Chiu and Elbing, 1962; Patton, 1966; Redling,

1972; Gupta, 1984; Finkelstein and Donald, 1989) have revealed with remarkable consistency that both size and profits exercise a strong influence on executives pay. However, size seems to have a slight edge over the other. In addition to size and profitability the pay-roll (total wage and salary bill) has also an important influence on executive pay. "Within given managerial levels, the pay roll along with the number of employees supervised and years of professional experience explained 85 per cent of the variation in the base salary of executives" (Foster, 1965, 87). Therefore, along with size and profitability the pay-roll of the organisation is also taken as a variable for the purpose of this study.

6.4 The variables or factors influencing executive remuneration are several and no widely accepted definitions exist for them. But from an examination of the previous studies one can undoubtedly say that size, profitability and pay-roll are the most important common factors influencing executive remuneration. In many studies (Mcguire, Chiu and Elbing, 1962; Patton, 1966; Finkelstein and Donald, 1989) size of the organisation seems to be the most influencing factor than profitability and pay-roll. As observed by Baumol (1958, 187), "executive salaries appear to be far more closely correlated with the scale of

operations (size) of the firm than with its profitability." However, Lewellen and Huntsman (1970, 718) declared on the basis of new estimates that "reported profits are substantially more important in the determination of executive compensation than are sales--indeed sales seem to be quite irrelevant."

6.5 The size of the organisation can be measured in several ways. Although size of the organisation can be measured by total assets, fixed assets, networth etc., net sales volume and number of personnel are considered to be preferable index because they are free from incomparabilities, due to difference in valuation and accounting methods. In the case of various assets, difference in valuation methods may create problems of comparison. The 'networth' is also subject to differences in the methods of financing (for eg., equity financing or debt financing). Therefore, for measuring the size of the organisation net sales volume and number of personnel are considered to be the better variables.

6.6 An organisation's profitability or rate of return is measured by dividing net profits by net total assets. The net total assets is derived by adding net fixed assets with current assets. For the purpose of avoiding

incomparabilities net profits is taken as the profit before income tax, long term interest and remuneration.

6.7 An organisation's pay roll has been found out by multiplying the number of personnel in each category and the average remuneration received by them. In short, the following four variables are taken as independent variables: (i) net sales volume (V_1); (ii) number of personnel (V_2); (iii) profitability (V_3) and (iv) total wage and salary bill (V_4).

6.8 In previous studies (Simon, 1957, Redling, 1972, Gupta, 1984) the executive remuneration of all levels together alone had been taken as dependent variable for analysis. But in this study a comprehensive approach is attempted by taking the average executive remuneration at each level in the management hierarchy. This is very much essential because it is found that there is wide differences in the remuneration between lower level and senior level executives in several manufacturing enterprises in Kerala. Therefore, the following dependent variables are used for analysis: (i) average remuneration of lower level executives (V_5); (ii) average remuneration of higher level executives (V_6); (iii) average remuneration of all executives together (V_7); (iv) total remuneration of all executives (V_8). All these variables are shown in Annexure IX.

6.9 An attempt has also been made to assess the relative importance of the selected variables in explaining variations in executive remuneration. The statistical technique of multiple regression analysis is used to fit linear relationships between executive remuneration at various levels and the explanatory variables for all the consistently performed enterprises for the period 1984-85 to 1989-90. Even though data is available for 1990-91 also, several companies financial data are not audited for the year and therefore coefficients of regression are obtained for the above six years only.

6.10 The form of regression equation that was used to relate remuneration with the selected variables is as follows:

$$R = b_1V_1 + b_2V_2 + b_3V_3 + b_4V_4 + e$$

where R is the remuneration, V_1 refers to net sales, V_2 denotes number of personnel; V_3 stands for profitability or rate of return, V_4 denotes total wage and salary bill and b_1 , b_2 , b_3 and b_4 are the respective coefficients. The regression results based on average remuneration of lower level executives (V_5), average remuneration of higher level executives (V_6), average remuneration of all executives

together (V_7) and total remuneration of all executives (V_8) are presented in Tables 6.1, 6.2, 6.3 and 6.4 respectively.

6.11 Sales and number of employees as a measure of size and rate of return as a measure of profitability appear to be important in the determination of executive remuneration at all levels. However, total wage and salary bill (payroll) is found to have less significant influence in the determination of executive remuneration at various levels in the executive hierarchy.

6.12 The rationale for concentrating on size of companies is delineated by the fact that big sized companies remuneration practices are basically the pace setters for the nation's managerial class. "The smaller and medium sized companies generally look towards the compensation practices followed by large companies as probable guideposts for setting remuneration for their own executives" (Kapur, 1983, 784). The importance of size as a determinant of executive remuneration also stems from the fact that size reflects the degree of job responsibility. "The chief executive's job in a giant enterprise is likely to entail much greater managerial responsibility than that of a similar job in a comparatively small firm. Large company executives are paid more than their counterparts in

Table 6.1

Regression of average remuneration of 'lower level executives'
on size, profitability and payroll

Year	Regression coefficients				F	R
	V ₁	V ₂	V ₃	V ₄		
1989-90	3.770 (1.239)	-16.337 (-1.282)	-9344.891 (-1.073)	0.000 (0.633)	0.779	0.266
1988-89	2.473 (1.037)	2.074 (0.110)	2130.485 (0.282)	-0.001 (-0.730)	0.927	0.288
1987-88	2.040 (0.806)	-15.131 (-0.913)	3258.160 (0.423)	0.001 (1.090)	2.950*	0.742
1986-87	0.157 (0.116)	-4.360 (-0.582)	1192.727 (0.345)	0.000 (1.228)	3.090*	0.481
1985-86	-0.667 (-0.364)	-13.427 (-1.662)	-632.316 (-0.714)	0.001* (1.850)	3.53*	0.506
1984-85	1.675 (0.579)	1.945 (0.223)	5043.586 (1.550)	-0.000 (-0.019)	2.65*	0.453

* Significant at 5 per cent level.

Note: The figures in parentheses indicate the 't' values of the respective coefficients.

Source: Bureau of Public Enterprises, A Review of Public Enterprises in Kerala from 1985-1991, Government of Kerala, Thiruvananthapuram.

Table 6.2

Regression of average remuneration of 'higher level executives'
on size profitability and payroll

Year	Regression Coefficients				F	R
	V ₁	V ₂	V ₃	V ₄		
1989-90	5.081* (1.946)	-23.976* (-2.193)	3832.577 (0.513)	0.000 (1.269)	2.500	0.443
1988-89	0.906 (0.296)	-6.679 (-0.277)	6991.317 (0.719)	0.000 (0.158)	0.261	0.158
1987-88	3.642 (1.044)	3.99 (0.140)	8729.150 (0.823)	-0.000 (-0.098)	1.800	0.386
1986-87	2.858 (1.210)	0.495 (0.038)	3813.240 (0.632)	0.000 (0.174)	3.440*	0.501
1985-86	3.255 (1.217)	-8.362 (-0.710)	186.697 (0.145)	0.000 (0.537)	3.600*	0.510
1984-85	2.855 (0.715)	-2.257 (-0.188)	-3881.294 (-0.864)	0.000 (0.366)	1.440	0.351

* Significant at 5 per cent level.

Note: The figures in parentheses indicate the 't' values of the respective coefficients.

Source: Bureau of Public Enterprises, A Review of Public Enterprises in Kerala from 1985-1991, Government of Kerala, Thiruvananthapuram.

small enterprise not necessarily because the job is harder but because the risk and responsibility involved is greater" (Gupta, 1984, 146).

6.13 The correlation between an enterprise's size and executives pay level is not surprising and has several logical explanations. Organisations attempt to maintain appropriate salary differentials between executive levels and establish these pay differentials not in absolute terms but as in ratio's. Consequently the remuneration of chief executive officers has to be greater in large firms because they tend to have more executive levels. The assumption that large organisations will have more executive levels than small organisations is not an unfounded assumption; it is consistent with span of control theory that firm size and number of levels are highly correlated. Economic theory also suggests that executive pay and organisation's size can be related (Roberts, 1959). However, organisation theorist, Dale (1969) is of the view that, the larger companies have larger sales revenue and therefore greater capacity to pay.

6.14 Sales and profitability appears to have a more influence on average remuneration of higher level executives than those of lower level executives in the

Table 6.3

Regression of average remuneration of 'All Executives'
on size, profitability and payroll

Year	Regression Coefficients				\bar{F}	\bar{R}
	V_1	V_2	V_3	V_4		
1980-90	8.851* (1.850)	-40.314* (-2.012)	-5512.370 (-0.402)	0.001 (1.031)	1.64	0.371
1988-89	3.379 (0.768)	-4.605 (-0.133)	9121.730 (0.653)	-0.000 (-0.285)	0.508	0.217
1987-88	5.682 (1.106)	-11.932 (-0.355)	11987.440 (0.767)	0.001 (0.471)	2.980*	0.474
1986-87	3.015 (0.933)	-3.864 (-0.216)	5006.057 (0.606)	0.001 (0.642)	4.170*	0.538
1985-86	2.587 (0.641)	-21.788 (-1.225)	-445.597 (-0.229)	0.002 (1.195)	4.160*	0.537
1984-85	4.529 (0.938)	-0.311 (-0.021)	1162.319 (0.214)	0.000 (0.292)	3.14*	0.484

* Significant at 5 per cent level.

Note: The figures in parentheses indicate the 't' values of the respective coefficients.

Source: Bureau of Public Enterprises, A Review of Public Enterprises in Kerala from 1985-1991, Government of Kerala, Thiruvananthapuram.

Table 6.4

Regression of total remuneration of 'All Executives'
on size, profitability and payroll

Year	Regression Coefficients				F	R
	V ₁	V ₂	V ₃	V ₄		
1989-90	-2.088 (-1.149)	-10.307 (-1.354)	6669.603 (1.281)	0.000 (1.188)	3.320*	0.495
1988-89	-1.164 (-0.741)	5.492 (0.443)	11600.390* (2.328)	-0.000 (-0.817)	3.560*	0.508
1987-88	-0.333 (-0.167)	-13.475 (-1.031)	-5515.739 (-0.909)	0.000 (0.680)	1.420	0.349
1986-87	-0.279 (-0.210)	-8.283 (-1.126)	754.990 (0.222)	0.000 (0.752)	2.050	0.408
1985-86	0.582 (0.309)	-3.964 (-0.478)	-219.565 (-0.242)	-0.000 (-0.084)	1.910	0.396
1984-85	-1.992 (-0.437)	-18.634 (-1.359)	-2807.615 (-0.549)	0.001 (0.933)	1.870	0.393

* Significant at 5 per cent level.

Note: Figures in parentheses indicate the 't' values of the respective coefficients.

Source: Bureau of Public Enterprises, A Review of Public Enterprises in Kerala from 1985-1991, Government of Kerala, Thiruvananthapuram.

between executive compensation and firm's performance and argued that executive compensation in the publicly-held firms might be more directly tied to performance. In the Kerala manufacturing public enterprises the result of the present study shows similar results.

6.16 When the total executive remuneration is taken as dependent variable, it is found that both number of employees and profitability appear to have significant influence on the determination of executive remuneration. However, of all explanatory variables, profitability seems to have more significant influence on executive remuneration at all levels.

6.17 A number of empirical studies (Roberts, 1959; Redling, 1972; Husband 1976; Loomis, 1982; Gupta; 1984) have been conducted with reference to the predictors of executive remuneration. There seems to be a general consensus that executive jobs have to be valued in terms of three major criteria. Size of the organisation, type of industry and level of decision making responsibility. However, Gomez-mejia, Tosi and Hinkin (1987) are of the view that size is a less risky basis for setting executives pay than performance, which is subject to many uncontrollable forces outside the managerial sphere of

Kerala manufacturing public enterprises (Tables 6.1 and 6.2). What is most intriguing in the literature investigating executive remuneration is that, researchers have not found the relationship between top executive's pay and company performance to be strong or consistent. After all, a fundamental premise of a market system is that the best performers should receive the highest remuneration. Yet practicing compensation specialists point out that "there is little evidence of a direct pay for performance relationship between top executive's remuneration and corporate performance" (Redling, 1981, 15). However, Lewellen and Huntsman (1970) studied the relationship between remuneration and multiple measures of corporate performance including sales, assets, profits and rates of return. They concluded that profits had a strong influence on executive rewards, but sales appeared to have none. In the present study both size and profitability appears to be significant factors for the determination of remuneration for higher level executives.

6.15 Sales, number of employees and profitability appear to have a more influence on the average remuneration of all executives together (Table 6.3). However, profitability has an edge over the other factors. Loomis (1982) studied the problem to find out the correlation

influence. Large companies are at much greater financial risk, after all, than smaller companies. It seems strange to many observers that executive pay does not appear to be strongly linked with profitability. Compensation Survey Report (1988-89) of Business International Asia/Pacific Ltd., Honkong, considered the following ten factors to determine executive remuneration; education, experience, scope of activities, need to negotiate, kind of problems handled, decision making authority, influence on results, size of unit managed, number of personnel supervised and subordination level (Yadapadithaya, 1992).

6.18 The range of variations in executive remuneration in the Kerala manufacturing public enterprises are so wide that none of the above variables, be its sales, profits, number of employees or pay-roll can be expected to explain fully the observed variations. Along with the above variables, personal attributes of executives such as qualification, experience, areas of specialisation and other enterprise characteristics like level of job and span of control are the most significant determinents of executive remuneration. Of course the external factors such as Government policy, historical factors and political decisions also have significant influence in the determination of executive remuneration.

Chapter 7

SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

7.1 The main conclusions emerging from the study are summarised in this chapter. These findings have far reaching policy implications for those in the higher echelons of the governmental machinery to take policy decisions. It is expected that the findings will open new vistas for further research.

7.2 The executives in the Kerala manufacturing public enterprises are very much concerned in comparing their remuneration with others in the same level in similar other enterprises. This is due to the fact that wide differentials and disparities are existing in the remuneration of executives among the various manufacturing enterprises. In spite of longer period of service the executives of electrical units are drawing less pay compared to electronic units. In short, external inequity is much wide in the Kerala manufacturing public enterprises compared to internal inequity as far as the executive remuneration is concerned. Therefore a significant percentage of executives perceived that 'comparison with

the remuneration of similar other companies' may be the major criteria for determining executive remuneration.

7.2.1 The application of 'moral principle' is expected when the Government happened to be the employer. Of course business considerations are not paramount in the running of a Government and the influence of the law of supply and demand could not be ignored completely in fixing the remuneration of executives in the public enterprises. The 'fairness and adequacy' of the salary proposal must be judged from the standpoint not only of the executives but also for the organisation and the community. Again the aims of proper reward management is to attract, retain and motivate personnel and also to get the value for money. It is a fact that salaries can never be equitable and uniform in all cases and in all circumstances. But the existence of high salary areas within the manufacturing public sector, or wide differences in minimum salary levels violate the doctrine of comparability. The public sector executives regard themselves as employed ultimately by the same government and not by different enterprises. Therefore it is essential that there must be some uniformity in remuneration.

7.3 There are several cases where lower level executives are paid more than the senior executives in the

Kerala manufacturing public enterprises. Every higher level job entails higher risk and responsibility requiring greater ability, experience and education.

7.3.1 The emoluments of executives must be coherent and adequately reflect the substantial difference in the nature and responsibilities of the various positions. Proper variations in remuneration among the different executive levels are important because of its influence on the motivation and morale of the personnel in an organisation. Efforts should be initiated to provide, as far as possible, comparable emoluments for comparable jobs or responsibilities.

7.4 The mean remuneration of the executives belong to the highest age-group (55-60) is much less than the age group of 50 to 55. This implies that experience alone is not a criterion for maximum pay.

7.5 The mean age of the executives in the various functional area reveals that in 'miscellaneous' and 'general administration' the average age is highest and in 'research and development' it is the lowest. It is quite understandable because 'research and development' is newly developed area in the Kerala public sector.

7.5 It is found that senior executives are spread over largely in the age group of 30-45. This may be due to the fact that these senior executives belonging to the above age group reached that level due to their higher educational qualification than long years of experience.

7.7 Very few executives are working in the department of research and development, quality control etc., which means that staff functions grow at a slower pace in the Kerala manufacturing public sector.

7.8 Reumuneration-wise, executives in the 'general administration' enjoys maximum. Their average annual remuneration is the highest whereas executives in the purchases and stores get the lowest.

7.8.1 A comparatively high remuneration in the production and technical area may be justified by the experienced and highly qualified personnel serving in these areas. But it is found that in Kerala manufacturing public enterprises executives in the 'general administration' are getting the highest average remuneration.

7.9 It is found that more than half of the executives are professional degree holders. The executives who do not

possess even a bachelors degree have invariably risen to executive positions through a long period of service. Level-wise analysis also showed that professional degree holders formed the largest number. The senior level executives, by and large, possess higher educational qualifications. At the same time it is found that 11 per cent of the senior executives are undergraduates.

7.10 The 'undergraduates' are drawing more average remuneration than the graduates in the manufacturing public enterprises. It is invariably due to several years of service put in by these undergraduates to rise up to the level of executives. All the doctrates and maximum number of professional degree holders are concentrated in the 'electronics' category. On the other extreme, 'wood based' and 'textiles' categories employed the lowest number of executives having professional degrees.

7.11 There is very little relationship between remuneration and experience. This may be due to the absorption of the highly technically qualified executives with high pay scales in the manufacturing enterprises recently.

7.12 Only few executives are satisfied with their remuneration. From level-wise analysis it is found that an overwhelming proportion of the lower level executives are dissatisfied with their pay whereas only few executives at the senior level are dissatisfied. It is implied that the lower level executives are more concerned with their remuneration. The senior and aged executives are not much concerned as they are generally satisfied with their remuneration for enjoying a settled life.

7.13 The number of dissatisfied and frustrated executives in the case of 'earnings satisfaction' is much higher than the number of executives in the case of job satisfaction. The level-wise analysis also shows more or less the same pattern.

7.13.1 This implies the need for a change in the remuneration policy as there is no rational criteria for the determination of executive remuneration. In other words, the efficient executives may become dissatisfied and possibly quit, and the inefficient are forced to stick on to the same organisation, making the enterprise further weak.

7.14 Majority of executives are not satisfied with the present system of payment of remuneration followed in these enterprises also. Eventhough majority of executives are not favouring 'performance based pay', an overwhelming proportion prefer 'cafeteria approach' as a method of payment of remuneration.

7.14.1 There is no definite measure to democate between efficient and inefficient executives. Cafeteria benefits plan can be used in the Kerala public sector. It will definitely help the executives to choose their own method, which will undoubtedly increase the efficiency and performance. Although there is the danger of increasing costs in the short run, careful structuring will mean that flexible benefits plan can be used to gain control over costs in the long run.

7.15 Inspite of dissatisfaction in pay, only a few executives do 'moonlighting' at present. But the number of executives who do 'moonlighting' has been increasing not only due to inflation and high cost of living but also due to the inequitable remuneration policies of the public sector organisations. The 'moonlighting' will be increased from dark moon to full moon and different degrees of

'moonlighting' by executives will affect the human resource management in the public sector adversely in future.

7.16 Each independent public sector manufacturing units in Kerala has its own pay policies and revision of pay scales is effected without any uniformity or consistency as far as the period of revision and scales of pay are concerned. This causes dissatisfaction among executives which affects their morale.

7.17 For solving the problem of remunerating the executives in the manufacturing public enterprises the Government may appoint a pay committee under the guidance and control of Bureau of public enterprises to go into the emoluments and service conditions of such personnel. After comparing them in all respects and with the remuneration of corresponding executives in the intra and inter-industries, necessary corrections may be made through appropriate revision of pay scales or suitable incentive payments.

7.17.1 It is necessary to revise the pay scales of executives in the Kerala public enterprises at specified intervals. The aim of such revision is not only to take note of changes that may have taken place in the relevant facts and circumstances bearing on pay scales, but also to

correct the errors and omissions that have occurred in the earlier pay determination. This is highly essential as the factors which influenced pay determination have been historical and political rather than scientific or rational.

7.17.2 Time bound promotions and completely standardised increment patterns are incongruous. At present such a policy will not make the human system dynamic. The issue before the public enterprise is to make the compensation system responsive to individual differences and also to let it be perceived as fair and equitable. It may be difficult but not impossible to change the existing system. Pay disparities of executives in respect of job requiring the same or similar skills, knowledge and qualifications may be eliminated or at least narrowed down. Again there is the need for standardisation of designations of posts on the basis of duties and responsibilities of the executives.

7.17.3 The determination of a scientifically conceived homogeneous pay scales to all the public sector units is difficult because disparities, anomalies and irrationalities exist and have come to be regarded as 'rights'. In our democratic set up, it is not possible to erase the history. However, so far as the executives in

the public sector manufacturing industries are concerned, standardisation can be achieved through the appointment of a separate pay commission, for determining approximately the pay for each level of executives in various industries and the appropriate differential between one level of category of executives and another.

7.17.4 The remuneration of executives cannot therefore be determined by rule of thumb, or by a formula of universal application. It has to be co-related to the degree of satisfaction it generates both to the executives and to others, the totality of what it takes and what it gives to the executive, the resources of the public enterprise, the public assessment and satisfaction with the service rendered. The remuneration has to be sufficient and satisfactory enough to motivate the executive for the efficient performance of his duties and responsibilities with a sense of rectitude. At any rate the remuneration of an executive must be such as not to make him dissatisfied or generate a feeling of deep-seated unfairness so as to drive him seeking employment elsewhere or 'moonlighting'.

7.18 Sales volume and the number of employees as a measure of size of the organisation and rate of return as a measure of profitability appear to be important in the

determination of executive remuneration at all levels. However, total wage and salary bill (payroll) is found to have less significant influence in the determination of executive remuneration at various levels in the executive hierarchy.

7.19 Sales volume and profitability appears to have a more influence on average remuneration of senior level executives than those of lower level executives in the Kerala manufacturing public enterprises.

7.20 Sales volume, number of employees and profitability appear to have a more influence on the average remuneration of all executives together. However, profitability has an edge over the other factors.

7.21 When the total executive remuneration is taken as dependent variable, it is found that both number of employees and profitability appear to have significant influence on the determination of executive remuneration. However, of all the explanatory variables, profitability seems to have more significant influence on executive remuneration at all levels.

7.22 The range of variations in executive remuneration in the Kerala manufacturing public enterprises are so wide

that none of the above variables, be it sales, profits, number of employees or payroll can be expected to explain fully the observed variations. Along with the above variables, personal attributes of executives such as qualification, experience, areas of specialisation and other enterprise characteristics like level of job and span of control etc. are the most significant determinents of executive remuneration. Of course, the external factors such as Government policy, historical factors and political decisions also have significant influence in the determination of executive remuneration.

THE IMPLICATIONS

7.23 From the foregoing findings and recommendations the following policy implications can be derived.

7.23.1 In Kerala manufacturing public enterprises, there is no rational or scientific criteria is involved in the determination of executive remuneration. This created wide disparity in remuneration between executives within the same category of enterprises and outside (inter and intra) without any fundamental basis or logical reasoning. In a socialistic pattern of society equality of income and wealth is highly essential. Again executive satisfaction

and motivation depends more on remuneration relationships than on absolute levels of remuneration. The executives of an organisation are likely to be dissatisfied even with a high level of remuneration if they feel that the remuneration differentials among the executive levels are inequitable. For achieving satisfaction both internal and external equity must be maintained. It is necessary to avoid the undesirable disparities in pay between one industry and another in the same category and also among the industries within one sector especially where the qualifications, skill and responsibilities are similar or comparable. Certainly, disparities between different sectors also create inequity problems, but definitely to a less extent.

7.23.2 The remuneration package of executives in the Kerala public enterprises lack flexibility and dynamism. The remuneration menu must be designed with the help of techniques like the cafeteria approach, executive career cycle concept the cost benefit analysis etc.

7.23.3 A remuneration plan succeeds well when the persons for whom it is designed understand it and have full confidence in its implementation. Usually pay decisions are taken without active participation of the personnel

concerned. This is highly important in the case of educated people like supervisors, executives etc.

7.23.4 A sound remuneration system demands that exceptional contributions should be rewarded exceptionally. Job evaluation and performance appraisal techniques can be made use of for measuring executive performance.

7.23.5 Appropriate work environment is also essential. In the absence of it remuneration loses its motivational impact. Pay, perhaps is the most important of the incentives available to executives, but it must be supported by other non-monetary incentives, and congenial organisational climate to motivate them to contribute their best.

Prof.V.A.Sonny
Research Scholar

School of Management Studies
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and Technology
Cochin 682022

Dear Sir,

May I introduce myself as a research scholar doing Ph.D. programme in the School of Management Studies, at Cochin University. My topic of study is "Pattern of Executive Remuneration in the Manufacturing Public Enterprises in Kerala". The respondents of the study are Personnel Managers and other Executives of Public Sector Organisations. Hence I am approaching you with a set of questionnaires for your valuable response.

Kindly treat this as a personal request from a research scholar who greatly depends on your cooperation to make this study a success. I assure you that, all your responses will be kept in strict confidence and will be used only for research related purposes.

Kindly consider the following while responding:-

Please answer all questions

Please be accurate and

If you make a wrong entry cross it out and make a new one.

If you require feedback on your response, please mention your name and address at the end of this booklet for further communication.

Yours sincerely,

Sd/-

(V.A. Sonny).

ANNEXURE -I

Questionnaire I

“CONFIDENTIAL”

General Information

(Please do not write your name anywhere on this questionnaire. Put tick marks or answer in words as in the case require).

Name of the Organisation :
Department :
Designation :

1. Your level in the Management hierarchy:

- 1. Top Executive 2. Senior Executive
- 3. Executive

2. Nature of the Organisation:

- 1. State Public Enterprise 2. Private Enterprise
- 3. Government 4. Central Public Enterprise

3. Your present age :

4. Your marital status : Married Single

5. No. of children/dependents (a) Children: None/1/2/3/4/5
(b) Dependents None/1/2/3/4/5
6. If married, spouse's occupation:
(a) Housewife (b) Officer
(c) Doctor (d) Manager
(e) Engineer (f) Teacher
(g) Other
7. Your family income:
(a) Below 36,000 (b) 36,000–48,000
(c) 48,000–60,000 (d) 60,000–72,000
(e) 72,000–84,000 (f) 84,000–96,000
(g) 96,000–1,08,000 (h) 1,08,000–1,20,000
(i) 1,20,000–1,32,000 (j) 1,32,000–1,44,000
(k) 1,44,000–1,56,000 (l) 1,56,000 and above
8. Your Religion:
(a) Hindu (b) Christian
(c) Muslim (d) Others
9. Your income other than salary:
(a) Nil (b) Less than 10,000
(c) 10,000–20,000 (d) 20,000–30,000
(e) 30,000–40,000 (f) 40,000–50,000

(g) Above 50,000

10. Years of experience:

- | | |
|-------------------|--------------------|
| (a) Below 5 years | (b) 5--10 years |
| (c) 10--15 years | (d) 15--20 years |
| (e) 20--25 years | (f) 25--30 years |
| (g) 30--35 years | (h) Above 35 years |

11. Kindly mention your educational attainments:

- | | | | |
|--------------------|---------|----------|------|
| (a) Doctorate | | | |
| (b) Post graduate: | Science | Commerce | Arts |
| (c) Graduage: | Science | Commerce | Arts |
| (d) Undergraduate | | | |

12. Do you have any professional qualifications:

- | | |
|---------------------------|-----------------------------|
| (a) Engineering & | |
| Architecture | (b) Business Administration |
| (c) Medicine | (d) Law |
| (e) Accountancy | (f) Personnel |
| (g) Secretaryship | (h) Marketing |
| (i) Industrial Management | |

13. Do you have any foreign qualification?
- | | |
|-------------------------|---------------------------|
| (a) Doctorates | (b) Degree in Engineering |
| (c) Professional degree | (d) Postgraduate |
| (e) Graduate | (f) Undergraduate |
14. Do you have any foreign service? Yes No
- If yes, period of service:
- | | |
|-------------------|--------------------|
| (a) Below 2 years | (b) 2-4 years |
| (c) 4-6 years | (d) 6-8 years |
| (e) 8-10 years | (f) Above 10 years |
15. How much is your annual remuneration?
- | | |
|---------------------------|---------------------------|
| (a) Below 36,000 | (b) between 36,000-48,000 |
| (c) between 48,000-60,000 | (d) „ 60,000-72,000 |
| (e) „ 72,000-84,000 | (f) „ 84,000-96,000 |
| (g) „ 96,000-1,08,000 | (h) „ 1,08,000-1,20,000 |
| (i) „ 1,20,000-1,32,000 | (j) „ 1,32,000-1,44,000 |
| (k) „ 1,44,000-1,56,000 | (l) Above 1,56,000 |
16. According to you which should be the proper criteria for fixing executive remuneration. Kindly write 1 to 12 according to your preference.

- (1) Productivity basis
- (2) Profitability basis
- (3) Volume of sales basis
- (4) Needs of Executives
- (5) Comparison with similar Company
- (6) Cost of living
- (7) Future expansion plans
- (8) Capital investment of the company
- (9) Capacity of the Company to pay
- (10) Demand and supply of qualified executives
- (11) Bargaining power
- (12) If any other (please specify)

17. Are you satisfied with your earnings?

- (a) Satisfied
- (b) Somewhat satisfied
- (c) No opinion
- (d) Not satisfied
- (e) Frustrated

18. Are you getting job satisfaction from your work?

- (a) Highly satisfied
- (b) Satisfied
- (c) Somewhat satisfied
- (d) Not satisfied
- (e) Frustrated

19. How do you feel about the "Cafeteria approach" (flexible benefits plan) for payment of executive remuneration, compared to the present system of

remuneration for achieving better executive efficiency and productivity:

- (a) Very good
- (b) Good
- (c) Fair
- (d) Not good
- (e) Bad

20. How do you think about "performance based pay" for improving productivity in the Public Enterprises in Kerala?

- (a) Very good
- (b) Good
- (c) Fair
- (d) Not good
- (e) Bad

21. How do you feel about your remuneration compared with other executives in the firm?

- (a) Very good
- (b) Good
- (c) Fair
- (d) Not good
- (e) Poor

22. How do you feel about the fringe benefits provided by your company compared to the other firms in your area is:

- (a) Very good
- (b) Good
- (c) Fair
- (d) Not good
- (e) Poor

23. Number of persons directly under your administrative control:

- (a) Less than 5
- (b) Between 5--10
- (c) Between 10--15
- (d) ,, 15--20

- (e) „ 20-35
- (f) „ 25-30
- (g) „ 30-35
- (h) „ 35-40
- (i) „ 40-45
- (k) „ 45-50
- (l) Above 50

24. Is your qualifications properly utilised for the functions you perform?

- (a) Very much utilised
- (b) Somewhat utilised
- (c) No opinion
- (d) Not properly utilised
- (e) Not at all utilised

25. Your major duties and responsibilities. Kindly mention briefly.

26. Grade in which you joined the company:

27. Details of your promotions in Managerial cadre in the present organisation:

- (a) First promotion from to year
- (b) Second promotion from to year
- (c) Third promotion from to year

28. Additional qualifications obtained.

29. Present grade

30. Please mention the positions held in the managerial cadre before joining the present company during the last 10 years:

Year	Name of the Co. Company	Designation	Salary last drawn (inclusive of all allowances)

31. Your assessment of the Employer-employee relations in your organisation:

- (a) Excellent (b) Good
(c) Satisfactory (d) Average (e) Poor

32. Do you like your present job?

- (a) Like very much
(b) Like somewhat
(c) Neutral
(d) Dislike somewhat
(e) Dislike very much

ANNEXURE I I

Questionnaire II

Ranking of factors

Given below are a set of factors or a list of eleven goals together with explicit descriptions related to your job situation. You are requested to indicate the importance to you of each of these factors by assigning them relative ranks in numbers. Eg. '1' for the goal which is most important to you personally '2' for the next most important goal and so on.

1. **Leadership:** To become an influential leader; to organise and control others; to achieve community or organisational goals.
2. **Expertness:** To become an authority on a special subject; to persevere to reach a hoped, for expert level of skill and accomplishment.
3. **Prestige:** to become well known; to obtain recognition; awards of high social status.
4. **Service:** To contribute to the satisfaction of others; to be helpful to others who need it.
5. **Wealth:** To earn better remuneration compared to similar other companies.
6. **Independence:** To have the opportunity for freedom of thought and action; to be one's own boss.

7. **Affection:** To obtain and share companionship and affection through immediate family and friends.
8. **Security:** To achieve a secure and stable position in work and financial situation.
9. **Self-realisation:** To optimise personal development; to realise one's full creative and innovative potential.
10. **Duty:** To dedicate oneself totally to the pursuit of ultimate values; ideals and principles.
11. **Pleasure:** To enjoy life; to be happy and content; to have the good things in life.

ANNEXURE III**Questionnaire III**

Given below are a set of factors which related to the reasons for motivating your performance. You are requested to indicate the importance to you each of these factors by assigning them relative rank in numbers in the column provided.

1. I am getting better pay and allowances compared to similar companies.
2. I am having the feeling of worthwhile job accomplishment.
3. I am enjoying freedom and authority in decision making.
4. I am having better opportunity for promotion.
5. I am getting better recognition for good work done.
6. I am having better opportunity for personal growth and advancement.
7. I am getting better prestige and status.
8. I am having the opportunity of freedom and action.
9. I am having better job security compared to similar companies in other sectors.
10. My company is situated in my home town.
11. If any other factor, please mention.....

ANNEXURE IV

Questionnaire IV

Given below are a set of factors which may be inhibiting your job performance and efficiency. You are requested to indicate the importance to you of each of these factors by assigning them relative ranks in numbers as done in the previous questionnaire.

1. There is no job security in the present job
2. There is no performance based pay system.
3. My salary and allowances are comparatively less than similar job in other similar companies.
4. My fringe benefits are not fair considering the fringe benefits provided by other firms in other sectors.
5. There is inadequate communication and lack of relationship between superiors and subordinates.
6. Undue government interference in day-to-day activities.
7. Lack of proper support and your relationship between employees and their unions.
8. Lack of consistency in Management policies.
9. Too much Audit control and lack of autonomy.
10. Sloth and bureaucracy in Management.
11. Lack of clear definition of responsibilities.

ANNEXURE V

DETAILS REGARDING THE CATEGORY-WISE NUMBER AND PERCENTAGE OF EMPLOYEES AND EXECUTIVES IN THE MANUFACTURING PUBLIC ENTERPRISES IN KERALA FROM 1984-85 TO 1990-91

Sl. No.	1985-86			1986-87			1987-88			1988-89			1989-90			1990-91			
	Total Employees	Executives	Total	Total Employees	Executives	Total	Total Employees	Executives	Total	Total Employees	Executives	Total	Total Employees	Executives	Total	Total Employees	Executives	Total	
10	3313	2933	397	3330	3007	477	3484	3258	264	3532	3211	230	3441	3307	263	3570	3422	289	3711
58	3610	3130	836	3966	3348	870	4218	3462	994	4456	3016	845	3861	3070	835	3905	3048	780	3496
36	1807	2268	414	2682	2397	476	2873	3426	420	2846	2617	365	2982	2777	350	3127	2959	364	3204
27	1917	3106	80	3186	3009	80	3089	2940	72	3012	2905	139	3044	2864	67	2931	2919	67	2986
55	1429	1463	58	1521	1495	60	1555	1456	52	1508	1484	32	1516	1447	44	1491	1425	49	1463
47	6162	6191	880	7071	6216	911	7153	4469	453	7102	6835	383	7238	6819	453	7272	5384	421	6784
17	965	668	36	924	902	39	941	905	19	924	893	22	915	849	26	875	850	26	876
750	19203 (100)	19979 (87.16)	2701 (11.84)	22680 (100)	20374 (87.50)	2913 (12.50)	23287 (100)	21096 (90.28)	2274 (9.72)	23380 (100)	20931 (91.24)	2016 (8.76)	22997 (100)	21133 (91.21)	2038 (8.79)	23171 (100)	20524 (91.14)	1936 (8.86)	22520 (100)

Source: Bureau of Public Enterprises, A Review of Public Enterprises in Kerala from 1985-1991, Government of Kerala, Thiruvananthapuram.

Annexure VI

Absolute and percentage variations in the Mean remuneration of Lower and Senior level executives in the Electrical Category of enterprises between 1984-85 to 1990-91

Enter- prise No.	Level of Executive	Remuneration in 1990-91	Remuneration in 1984-85	Absolute variation	Percentage variation
1	Lower	3300	1580	1720	108.86
	Senior	6900	1861	5039	270.76
2	Lower	2450	1325	1125	84.90
	Senior	6800	1500	5300	353.33
3	Lower	4495	1950	2545	130.51
	Senior	5887	2227	3660	164.34
4	Lower	6000	2100	3900	185.71
	Senior	7000	2840	4160	146.47
5	Lower	4230	1975	2255	114.17
	Senior	5400	2194	3206	146.12

Source: Survey data.

Note: Name of the Public Enterprises are not disclosed as the data has been collected on this condition.

Absolute and percentage variations in the Mean remuneration of Lower and Senior level executives in the Electronics Category of enterprises between 1984-85 to 1990-91

Enter- prise No.	Level of Executive	Remuneration in 1990-91	Remuneration in 1984-85	Absolute variation	Percentage variation
1	Lower	1467	1078	389	36.00
	Senior	4084	1380	2704	195.94
2	Lower	3493	2753	740	26.87
	Senior	5057	3350	1707	50.95
3	Lower	5565	2121	3444	162.37
	Senior	6389	2834	3555	125.44
4	Lower	3200	1125	2075	184.44
	Senior	5000	1655	3345	202.11
5	Lower	5100	1550	3550	229.03
	Senior	6000	1800	4200	233.33
6	Lower	5027	880	4147	471.25
	Senior	5800	2250	3550	157.77
7	Lower	3100	Not furnished	--	--
	Senior	6000	3200	2800	87.50
8	Lower	3125	1200	1925	160.41
	Senior	4687	1750	2937	167.82
9	Lower	3875	1450	2425	167.24
	Senior	6485	2900	3585	123.62
10	Lower	3839	1625	2214	136.24
	Senior	5469	1800	3669	203.83

Source: Survey data.

Note: Name of the Public Enterprises are not disclosed as the data has been collected on this condition.

Absolute and percentage variations in the Mean remuneration of Lower and Senior level executives in the Engineering Category of enterprises between 1984-85 to 1990-91

Enter- prise No.	Level of Executive	Remuneration in 1990-91	Remuneration in 1984-85	Absolute variation	Percentage variation
1	Lower	4759	1475	3284	222.64
	Senior	6310	2875	3435	119.47
2	Lower	3200	1900	1300	68.42
	Senior	5500	2100	3400	161.90
3	Lower	5067	1490	3577	240.06
	Senior	6000	1690	4310	255.02
4	Lower	3500	1625	1875	115.38
	Senior	4500	2038	2462	120.80
5	Lower	3450	2150	1300	60.46
	Senior	5700	2805	2895	103.20
6	Lower	2979	1480	1499	101.28
	Senior	4027	1767	2260	127.90
7	Lower	NF	2100	--	--
	Senior	6046	2357	3689	156.51
8	Lower	3174	2225	949	42.65
	Senior	5180	2400	2780	115.83
9	Lower	2006	1294	712	55.02
	Senior	2830	1625	1205	74.15

Source: Survey data.

Note: Name of the Public Enterprises are not disclosed as the data has been collected on this condition.

Absolute and percentage variations in the Mean remuneration of Lower and Senior level executives in the Textile Category of enterprises between 1984-85 to 1990-91

Enter- prise No.	Level of Executive	Remuneration in 1990-91	Remuneration in 1984-85	Absolute variation	Percentage variation
1	Lower	4300	N.F	--	--
	Senior	5500	3700	1800	48.64
2	Lower	2600	1450	1150	79.31
	Senior	4800	2150	2650	123.25
3	Lower	2543	1942	601	30.94
	Senior	3313	2400	913	38.04
4	Lower	2970	1950	1020	52.30
	Senior	5333	2301	3032	131.76

Source: Survey data.

Note: Name of the Public Enterprises are not disclosed as the data has been collected on this condition.

Absolute and percentage variations in the Mean remuneration of Lower and Senior level executives in the Ceramic Category of enterprises between 1984-85 to 1990-91

Enter- prise No.	Level of Executive	Remuneration in 1990-91	Remuneration in 1984-85	Absolute variation	Percentage variation
1	Lower	2900	1400	1500	107.14
	Senior	3500	2400	1100	45.83
2	Lower	4550	2334	2216	94.94
	Senior	5910	2600	3310	127.30
3	Lower	2400	2150	250	11.62
	Senior	3525	2344	1181	50.38
4	Lower	3300	1150	2150	186.95
	Senior	5000	1950	3050	156.40
5	Lower	1900	1226	674	34.56
	Senior	4500	2231	2269	101.70

Source: Survey data.

Note: Name of the Public Enterprises are not disclosed as the data has been collected on this condition.

Absolute and percentage variations in the Mean remuneration of Lower and Senior level executives in the Chemical Category of enterprises between 1984-85 to 1990-91

Enter- prise No.	Level of Executive	Remuneration in 1990-91	Remuneration in 1984-85	Absolute variation	Percentage variation
1	Lower	4750	2300	2450	106.52
	Senior	6500	3800	2700	71.05
2	Lower	4675	1950	2725	139.74
	Senior	7650	2700	4950	183.33
3	Lower	3217	2225	992	44.58
	Senior	4463	4050	413	10.19
4	Lower	4427	2050	2377	115.95
	Senior	8043	3000	5043	168.10
5	Lower	3500	1800	1700	94.44
	Senior	5300	2000	3300	165.00
6	Lower	3800	1550	2250	145.16
	Senior	5600	1897	3703	195.20
7	Lower	4083	1505	2578	171.29
	Senior	6228	2234	3994	178.78
8	Lower	3923	1415	2508	177.24
	Senior	5726	1986	3740	188.31
9	Lower	3800	1842	1958	106.29
	Senior	5500	2700	2800	103.70
10	Lower	4600	1404	3196	227.63
	Senior	6450	1950	4500	230.76

Source: Survey data.

Note: Name of the Public Enterprises are not disclosed as the data has been collected on this condition.

Absolute and percentage variations in the Mean remuneration of Lower and Senior level executives in the Wood based Category of enterprises between 1984-85 to 1990-91

Enterprise No.	Level of Executive	Remuneration in 1990-91	Remuneration in 1984-85	Absolute variation	Percentage variation
1	Lower	2240	1650	590	35.75
	Senior	2560	1876	684	36.46
2	Lower	3800	1900	1900	100.00
	Senior	5750	2119	3631	171.35
3	Lower	3352	2100	1252	59.61
	Senior	3590	2656	934	35.16

Source: Survey data.

Note: Name of the Public Enterprises are not disclosed as the data has been collected on this condition.

ANNEXURE VII

**PAY SCALES OF EXECUTIVES IN SELECTED MANUFACTURING PUBLIC
ENTERPRISES IN KERALA AS ON 31ST MARCH 1991**

Unit No.1

General Manager	3425- $\frac{125}{2}$ -3675- $\frac{140}{3}$ -4095- $\frac{170}{6}$ -5115
Sr. Manager	3050- $\frac{125}{5}$ -3675- $\frac{140}{3}$ -4095- $\frac{170}{1}$ -4265
Managers	2310- $\frac{80}{2}$ -2470- $\frac{85}{3}$ -2725- $\frac{100}{2}$ -2925- $\frac{125}{6}$ -3675- $\frac{140}{1}$ -3815
Asst.Manager	1830- $\frac{80}{8}$ -2470- $\frac{85}{3}$ -2725- $\frac{100}{2}$ -2925- $\frac{125}{5}$ -3550
Admn. Officer/Asst.Engineer	1410- $\frac{40}{3}$ -1530- $\frac{60}{5}$ -1830- $\frac{80}{8}$ -2470- $\frac{85}{2}$ -2640
Jr. Officer/Grade I	1250- $\frac{40}{7}$ -1530- $\frac{60}{5}$ -1830- $\frac{80}{8}$ -2310
Jr. Officer/Grade I	1050- $\frac{25}{2}$ -1100- $\frac{30}{5}$ -1250- $\frac{40}{7}$ -1530- $\frac{60}{5}$ -1830

Unit No.2

General Manager	2700-4050
Finance Manager/Sr. Executive	1435-50-1735-75-2035
Manager	
Asst. Manager	
(Utilities)	1085-30-1235-1415-60-1775
Asst. Manager	
(Works)	
Confidential Secretary	1220-50-1520

Note: Name of the Public Enterprises are not disclosed as the data has been collected on this condition.

Unit No.3

Executive Director	5115-170-6815
General Manager	4775-170-6305
Deputy General Manager	4265-170-5965
Asst. General Manager	3955-140-4095-170-5455
Senior Manager	3425-125-3675-140-4095-170-5285
Manager	3175-125-3675-140-4095-170-4945
Executives	1770-60-1830-80-2470-85-2725-100-2925-125-3675
Junior Executives	1130-30-1250-40-1530-60-1830
Assistant Engineer	1250-40-1530-60-1830-80-2470

Unit No.4

Managing Director	2825-4435
Financial Controller	2470-3675
Company Secretary	2470-3675
Administrative Officer	2070-3550
Production Manager	2070-3550
Deputy Production Manager	1650-3175
Assistant Production Manager	1450-2825
Purchase Manager	1830-3425
Deputy Manager (Accounts)	1830-3425
Manager (Accounts)	1830-3425
Sales Manager	1830-3425
Assistant Manager	1370-2640
Maintenance Engineer	1830-3425
Internal Auditor	1650-3175

Unit No.5

General Manager	4200-150-4800-175-5500
Senior Manager	3500-125-4250-150-5000
Manager	3250-125-4500
Deputy Manager	3000-100-3300-125-4050
Assistant Manager	2700-100-3700
Sr.Engineer/Sr.Officer	2250-90-3150-100-3350
Engineer/Officer	2150-75-2600-90-3050
Deputy Engineer/ Dy.Officer	1950-75-2850
Assistant Engineer/ Assistant Officer	1800-60-2400-75-2700

Unit No.6

General Manager	4200-150-4800-175-5500
Senior Manager	3500-125-4250-150-5000
Manager	3250-125-4500
Deputy Manager	3000-100-3300-125-4050
Assistant Manager	2700-100-3300-125-4050
Senior Officer/Senior Engineer	2250-90-3150-100-3350
Engineer/Officer	2150-75-2600-90-3050
Dy. Officer/Dy Engineer	1950-75-2600-90-3050
Asst.Officer/Asst.Engineer	1800-60-2400-75-2700

Unit No.7

Chairman and Managing Director	8500-200-9500
General Manager	1900-100-2300
Finance Officer/Works Engineer	1300-75-1600-100-1900
(Dept. Head)	1300-50-1500
Deputy Manager	900-50-1500
Regional Sales Executive/ Electrical Engineer	750-40-950-50-1400
Purchase Officer/Accounts Officer	325-25-400-35-750-50-950
Asst. Plant Manager/ Asst. Engineer/ Purchase Officer/ Sales Officer etc.	250-20-310-25-410-35-830
Foreman	200-15-290-15-440-30-770
Section Officer	200-15-290-15-440-30-770

Unit No.8

General Manager	3500-150-5000
Dy. General Manager	3000-125-4875
Asst. General Manager	2800-100-4300
Senior Manager	2600-100-4100
Manager	2300-100-3800
Sr. Engineer	
Superintendent	1500-70-2550
Asst. Manager	
Engineer/Asst.Officer	1100-60-2000

Unit No.9

General Manager	4200-150-4800-175-5500
Senior Manager	3500-125-4250-150-5000
Manager	3250-125-4500
Dy. Manager	3000-100-3300-125-4050
Asst. Manager	2700-100-3700
Sr. Engineer/Sr.Officer	2250-90-3150-100-3350
Engineer/Officer	2150-75-2600-90-3050
Dy. Engineer/Dy.Officer	1950-75-2850
Asst.Engineer/Asst.Officer	1800-60-2400-75-2700

Unit No.10

General Manager (Finance)	3815-140-4095-170-5765
Manager (Engg.Products)	3300-125-3675-140-4095-170-5115
Secretary	
Manager (Others)	3050-125-3675-140-4095-170-4775
Executive Engineer	2640-85-2725-100-2925-125-3675-140- 4095-170-4265
Plant Engineers/Account Officers	2310-80-2470-85-2725-100-2925-125-3675
Asst. Engineer	1830-80-2470-85-2725-100-2925-125-3175
Chemist/Welfare Officer	1650-60-1830-80-2470-85-2725-100-2825

Unit No.11

Manager Gr.I	3050-125-3675-140-4095-170-4435
Manager Gr.II	2825-100-2925-125-3675-140-4095
Manager	2640-85-2725-125-3675-140-4095
Deputy Manager	2070-80-2470-85-2725-100-2925-125-3550
Asst. Manager	1590-60-1830-80-2470-85-2725-100-2925-125-3050
Junior Manager	1370-40-1530-60-1830-80-2470-85-2640

Unit No.12

General Manager	1700-100-2500
Secretary & Finance Manager	1600-80-2000-100-2300
Personnel Manager	800-40-1000-50-15000
Manager (Factory)	1650-100-2250
Asst. Manager (Marketing)	800-40-1000-50-1500
Chief Accountant	800-40-1000-50-1500
Purchase Officer (Sales)	-do-
Asst. Processing Master	-do-
Asst. Spinning Master	-do-

Unit No.13

Works Manager	3200-140-3900-150-4800
Secretary/Manager	2700-130-3350-140-4050
Special Grade	2200-110-2750-120-3350
Class I	1900-90-2350-95-2825
Class II	1600-80-200-90-2450

ANNEXURE VIII**ALPHABETICAL LIST OF ENTERPRISES COVERED IN THE STUDY**

1. Astral Watches Ltd.
2. Autokast Ltd.
3. Chalakudy Refractories Ltd.
4. Forest Industries Ltd.
5. Keltron Component Complex Ltd.
6. Keltron Counters Ltd.
7. Keltron Crystals Ltd.
8. Keltron Electroceramics Ltd.
9. Keltron Magnetics Ltd.
10. Keltron Power Devices Ltd.
11. Keltron Rectifiers Ltd.
12. Keltron Resistors Ltd.
13. Kerala Agro Machinery Corporation Ltd.
14. Kerala Automobiles Ltd.
15. Kerala Ceramics Ltd.
16. Kerala Clays and Ceramic Products Ltd.
17. Kerala Construction Components Ltd.
18. Kerala Electrical and Allied Engineering Company Ltd.
19. Kerala Garments Ltd.
20. Kerala Minerals and Metals Ltd.
21. Kerala Premo Pipe Factory Ltd.
22. Kerala Soaps and Oils Ltd.

23. Kerala State Construction Corporation Ltd.
24. Kerala State Detergents and Chemicals Ltd.
25. Kerala State Drugs and Pharmaceuticals Ltd.
26. Kerala State Electronic Development Corporation
27. Kerala State Textile Corporation
28. Kerala State Wood Industries
29. Malabar Cements Ltd.
30. Pharmaceutical Corporation (IM) Kerala Ltd.
31. Scooters Kerala Ltd.
32. Sidkel Televisions Ltd.
33. Sitaram Textiles Ltd.
34. Steel and Industrial Forgings Ltd.
35. Steel Complex Ltd.
36. Steel Industrials Kerala Ltd.
37. The Metal Industries Ltd.
38. The Metropolitan Engineering Company Ltd.
39. Traco Cable Company Ltd.
40. Transformers and Electricals Kerala Ltd.
41. Travancore Cochin Chemicals Ltd.
42. Travancore Plywood Industries Ltd.
43. Travancore Titanium Products Ltd.
44. Trivandrum Rubber Works Ltd.
45. Trivandrum Spinning Mills Ltd.
46. United Electrical Industries Ltd.

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