UNIT-5

REWARD AND COMPENSATION MANAGEMENT

COMPENSATION

INTRODUCTION:

Compensation is the remuneration received by an employee in returns of their contribution to the organization. Compensation of employees for their services is important responsibility of human resource management. Every organization must offer good wages and fringe benefits to attract and retain talented employees with the organization. If at any time, the wages offered by a firm are not competitive as compared to other firms, the efficient workers may leave the firm. Therefore, workers must be remunerated adequately for their services. Compensation to workers will vary depending upon the nature of job, skills required, risk involved, nature of working conditions, paying capacity of the employer, bargaining power of the trade union, wages and benefits offered by the other units in the region or industry etc.,

Considering that the current trend in many sectors (particularly the knowledge intensive sectors like IT and Services) is to treat the employees as "creators and drivers of value" rather than one more factor of production, companies around the world are paying close attention to how much they pay, the kind of components that this pay includes and whether they are offering competitive compensation to attract the best talent

DEFINITION:

Gary Dessler in his book Human Resource Management defines compensation in these words "Employee compensation refers to all forms of pay going to employees and arising from their employment." The phrase 'all forms of pay' in the definition does not include non-financial benefits, but all the direct and indirect financial compensations

According to Thomas J. Bergmann(1988) compensation consists of four distinct components: Compensation = Wage or Salary + Employee benefits +Non-recurring financial rewards + Non-pecuniary rewards.

The system of compensation should be so designed that it achieves the following objectives.

- ❖ The capable employees are attracted towards the organization
- ❖ The employees are motivated for better performance
- ❖ The employees do not leave the employer frequently

OBJECTIVE OF COMPENSATION

- Recruit & Retain Competent Employees
- Consistency & Equity in Pay
- Employability in a Cost Effective
- Financial Protection to Employees
- Organizational Ability to Pay
- Comparative & Comparable
- Benefit Management
- Improve Organizational Performance

COMPONENTS OF COMPENSATION:

<u>Basic Wages/Salaries:</u>

Basic wages / salaries refer to the cash component of the wage structure based on which other elements of compensation may be structured. It is normally a fixed amount which is subject to changes based on annual increments or subject to periodical pay hikes.

Wages represent hourly rates of pay, and salary refers to the monthly rate of pay, irrespective of the number of hours put in by the employee. Wages and salaries are subject to the annual increments. They differ from employee to employee, and depend upon the nature of job, seniority, and merit

<u>Dearness Allowance</u>:

The payment of dearness allowance facilitates employees and workers to face the price increase or inflation of prices of goods and services consumed by him. The onslaught of price increase has a major bearing on the living conditions of the labour.

The increasing prices reduce the compensation to nothing and the money's worth is coming down based on the level of inflation. The payment of dearness allowance, which may be a fixed percentage on the basic wage, enables the employees to face the increasing prices

<u>Incentives:</u>

Incentives are paid in addition to wages and salaries and are also called 'payments by results'. Incentives depend upon productivity, sales, profit, or cost reduction efforts.

There are:

(a) Individual incentive schemes, and

(b) Group incentive programmes.

Individual incentives are applicable to specific employee performance. Where a given task demands group efforts for completion, incentives are paid to the group as a whole. The amount is later divided among group members on an equitable basis

Bonus:

The bonus can be paid in different ways. It can be fixed percentage on the basic wage paid annually or in proportion to the profitability. The Government also prescribes a minimum statutory bonus for all employees and workers. There is also a bonus plan which compensates the managers and employees based on the sales revenue or profit margin achieved. Bonus plans can also be based on piece wages but depends upon the productivity of labour

Non-Monetary Benefits:

These benefits give psychological satisfaction to employees even when financial benefit is not available. Such benefits are:

(a) Recognition of merit through certificate, etc.

(b) Offering challenging job responsibilities,

(c) Promoting growth prospects,

(d) Comfortable working conditions,

(e) Competent supervision, and

(f) Job sharing and flexi-time and others

Commissions:

Commission to managers and employees may be based on the sales revenue or profits of the company. It is always a fixed percentage on the target achieved. For taxation purposes, commission is again a taxable component of compensation.

The payment of commission as a component of commission is practiced heavily on target based sales. Depending upon the targets achieved, companies may pay a commission on a monthly or periodical basis

Mixed Plans:

Companies may also pay employees and others a combination of pay as well as commissions. This plan is called combination or mixed plan. Apart from the salaries paid, the employees may be eligible for a fixed percentage of commission upon achievement of fixed target of sales or profits or Performance objectives. Nowadays, most of the corporate sector is following this practice. This is also termed as variable component of compensation.

Piece Rate Wages:

Piece rate wages are prevalent in the manufacturing wages. The labourers are paid wages for each of the Quantity produced by them. The gross earnings of the labour would be equivalent to number of goods produced by them. Piece rate wages improves productivity and is an absolute measurement of productivity to wage structure. The fairness of compensation is totally based on the productivity and not by other qualitative factors

Fringe Benefits:

Fringe benefits may be defined as wide range of benefits and services that employees receive as an integral part of their total compensation package. They are based on critical job factors and performance. Fringe benefits constitute indirect compensation as they are usually extended as a condition of employment and not directly related to performance of concerned employee.

Profit Sharing:

Profit-sharing is regarded as a stepping stone to industrial democracy. Profit-sharing is an agreement by which employees receive a share, fixed in advance of the profits. Profit sharing usually involves the determination of an organization's profit at the end of the fiscal year and the distribution of a percentage of the profits to the workers qualified to share in the earnings.

TYPES OF COMPENSATION/BASE AND SUPPLEMENTARY COMPENSATION

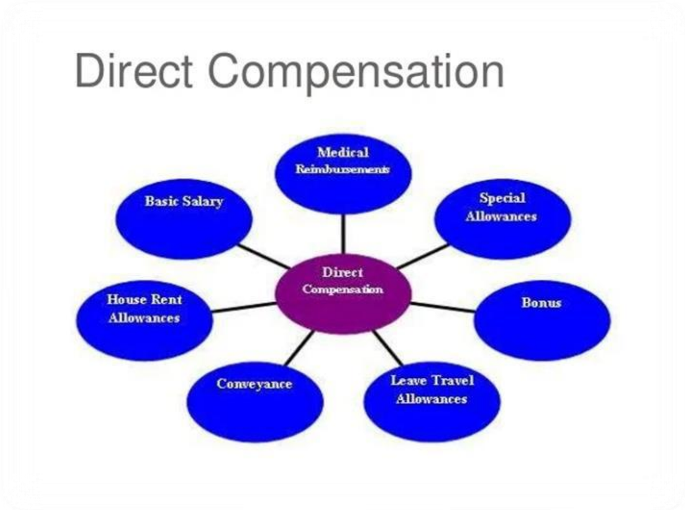
Total compensation returns are more transactional. They include pay received directly as cash (like base, merit, incentives, cost of living adjustments) and indirectly as benefits (like pensions, medical insurance, programs to help balance work and life demands, brightly coloured uniforms). Programme to pay to people can be designed in a wide variety of ways, and a single employer typically uses more than one

1. Direct /Base Compensation:

Direct compensation refers to monetary benefits offered and provided to employees in return of the services they provide to the organization. The monetary benefits include basic 8 salary, house rent allowance, conveyance, leave travel allowance, medical reimbursements, special allowances, bonus, Pf/Gratuity, etc. They are given at a regular interval at a definite time.

a) Basic Salary : Salary is the amount received by the employee in lieu of the work done by him/her for a certain period say a day, a week, a month, etc. It is the money an employee receives from his/her employer by rendering his/her services
b) House Rent Allowance:Organizations either provide accommodations to its employees who are from different state or country or they provide house rent allowances to its employees. This is done to provide them social security and motivate them to work.
c) Conveyance: Organizations provide for cab facilities to their employees. Few organizations also provide vehicles and petrol allowances to their employees to motivate them
d) Leave Travel Allowance: These allowances are provided to retain the best talent in the organization. The employees are given allowances to visit any place they wish with their families. The allowances are scaled as per the position of employee in the organization.

e) Medical Reimbursement: Organizations also look after the health conditions of their employees. The employees are provided with medi-claims for them and their family members. These medi-claims include health-insurances and treatment bills reimbursements.
f) Bonus: Bonus is paid to the employees during festive seasons to motivate them and provide them the social security. The bonus amount usually amounts to one month's salary of the employee.
g) Special Allowance: Special allowance such as overtime, mobile allowances, meals, commissions, travel expenses, reduced interest loans; insurance, club memberships, etc are provided to employees to provide them social security and motivate them which improve the organizational productivity

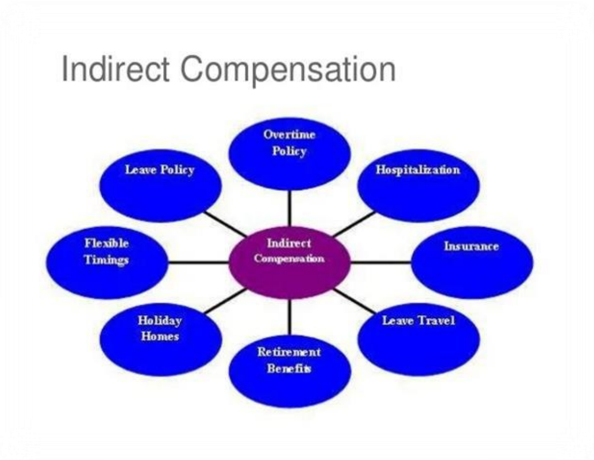


2.Indirect /Supplementary Compensation:

Indirect compensation refers to non-monetary benefits offered and provided to employees in lieu of the services provided by them to the organization. They include Leave Policy, Overtime Policy, Car policy, Hospitalization, Insurance, Leave travel Assistance Limits, Retirement Benefits, Holiday Homes

a) Leave Policy: It is the right of employee to get adequate number of leave while working with the organization. The organizations provide for paid leaves such as, casual leaves, medical leaves (sick leave), and maternity leaves, statutory pay, etc.
b) Overtime Policy: Employees should be provided with the adequate allowances and facilities during their overtime, if they happened to do so, such as transport facilities, overtime pay, etc.
c) Hospitalization: The employees should be provided allowances to get their regular check-ups, say at an interval of one year. Even their dependents should be eligible for the medi-claims that provide them emotional and social security.
d) Insurance: Organizations also provide for accidental insurance and life insurance for employees. This gives them the emotional security and they feel themselves valued in the organization.

e) Leave Travel: The employees are provided with leaves and travel allowances to go for holiday with their families. Some organizations arrange for a tour for the employees of the organization. This is usually done to make the employees stress free.
f) Retirement Benefits: Organizations provide for pension plans and other benefits for their employees which benefits them after they retire from the organization at the prescribed age.
g) Holiday Homes: Organizations provide for holiday homes and guest house for their employees at different locations. These holiday homes are usually located in hill station and other most wanted holiday spots. The organizations make sure that the employees do not face any kind of difficulties during their stay in the guest house.
h) Flexible Timings: Organizations provide for flexible timings to the employees who cannot come to work during normal shifts due to their personal problems and valid reasons.



COMPETITIVE COMPENSATION DESIGN

Understanding how to design a compensation system that is appropriate is vital for an organisation, as it is an effective way to promote a positive work environment and boost employee morale. When determining compensation, the goals of an organisation are to attract people to work for it and to retain those people who have proven their value with their hard work.

A company can use compensation to motivate employees to work at their peak performance and to ensure they are content with their jobs and work environment. A fair and competitive compensation system can help an organisation retain talented employees and reduce employee turnover. Employee satisfaction and productivity may increase if employees believe the compensation they are receiving is more favourable than that of comparable jobs. Here are the steps for designing an effective compensation plan for a company:

1. Align the compensation system with the organisation's values

An effective compensation system is one that supports the goals and values of the organisation. When designing such a system, it is important that you consider it carefully because it ultimately reflects how an organisation values its employees. A good compensation strategy can provide a competitive advantage, and the key to designing it is to understand the structure, vision and direction of the organisation.

A well-designed compensation system is one tool a company can use to support the achievement of its strategic objectives. A fair compensation plan can motivate employees. Implementing a performance-based compensation system can offer many benefits. The effective use of incentive plans can inspire employees to perform better and boost productivity. Supporting the organisation's strategic goals and ensuring the system fits with its structure and strategy are two important objectives when you are designing a compensation system.

2. Analyse the job market

It is helpful to gather relevant data before you design a compensation plan to identify current market trends and position an organisation effectively. It is important that employees perceive their compensation to be fair when they compare it to what other employees are receiving for the same kind of work. An employer's objective is typically to attract and retain qualified and high-performing employees. Some market variables that may affect this are not within the control of an employer, so it is beneficial to target those elements that are within the scope.

While an organisation is free to determine the compensation levels for new hires and to advertise those salary ranges, it is important to consider other employers who are also looking to fill positions with applicants from the same target market group. Hence, it is a good idea to conduct a survey of the job market to find out what compensation packages other employers are offering their employees who work in similar positions.

3. Decide on the type of compensation

If an organisation bases its compensation system on standardised components, employees are more likely to view it as fair and equitable. Employers may compensate employees directly or indirectly. Direct compensation includes an employee's basic pay, dearness allowance, housing allowance, bonuses, incentives, commissions, travel reimbursements, medical reimbursements, special allowances and gratuities. Indirect compensation may include benefits such as life insurance, health insurance, a pension, a provident fund, a company car, overtime pay, child care and annual leave. Non-financial compensation, such as gifts, extra paid leave, a new office or reimbursement for purchasing health and wellness equipment, are other possible provisions.

4. Understand the job requirements

When designing a compensation system, it is necessary to consider the job descriptions and compensation packages for similar positions in the same field. A job description specifies the contractual obligations, prerequisites, duties, responsibilities, settings, situational factors and other components of a job. Each position requires a detailed outline of the expectations and responsibilities and an appropriate job title that aligns with the company's internal organisational policies and the current state of the market

5. Determine pay equity

Compensation impacts employee job satisfaction, performance and motivation. Finding an equitable balance between the amount of money that an organisation is willing to pay to its employees and the employee's perceptions of their own worth is necessary to create a viable structure. Limiting compensation to save money may negatively affect employee satisfaction and morale, while increasing it may improve retention and reduce employee turnover.

6. Design the salary structure

You can create a salary structure by ranking jobs based on a competitive compensation line and pay variants. A job ranking is a collection of different but comparable jobs. By establishing a job ranking system, it is possible to consider similar jobs equitably and determine fair compensation packages. Furthermore, a salary structure provides guidelines for promoting employees from one rank to the next. An organisation can determine compensation based on its employees' qualifications, experience and efficiency by establishing pay ranges within the job ranking. The organisational budget is another factor to consider when you are determining employee compensation

FACTORS CONSIDERED IN DECIDING THE COMPENSATION

Employers decide on what is the right compensation after taking into account the following points. The Job Description of the employee that specifies how much should be paid and the parts of the compensation package. The Job Description is further made up of responsibilities, functions, duties, location of the job and the other factors like environment etc. These elements of the job description are taken individually to arrive at the basic compensation along with the other components like benefits, variable pay and bonus. It needs to be remembered that the HRA or the House Rental Allowance is determined by a mix of factors that includes the location of the employee and governmental policies along with the grade of the employee. Hence, it is common to find a minimum level of HRA that is common to all the employees and which increases in proportion to the factors mentioned above.

The Job Evaluation that is a system for arriving at the net worth of employees based on comparison with appropriate compensation levels for comparable jobs across the industry as well as within the company. Factors like Experience, Qualifications, Expertise and Need of the company determine how much the employer is willing to pay for the employee. It is often the case that employers compare the jobs across the industry and arrive at a particular compensation after taking into account the specific needs of their firm and in this respect, salary surveys and research results done by market research firms as to how much different companies in the same industry are paying for similar roles. The components of compensation that have been discussed above are the base requirements for any HR Manager who is in charge of fixing the compensation for potential employees. Hence, all HR professionals and managers must take this following aspect into account when they determine the compensation to be paid to employees

I. External Factors:

1) **Demand and Supply of Labour**:Wage is a price or compensation for the services rendered by a worker. The firm requires these services, and it must pay a price that will bring forth the supply which is controlled by the individual worker or by a group of workers acting together through their unions. The primary result of the operation of the law of supply and demand is the creation of the going wage rate. It is not practicable to draw demand and supply curves for each job in an organization even though, theoretically, a separate curve exists for each job.
2) **Cost of Living**: Another important factor affecting the wage is the cost-of-living adjustments of wages. This tends to vary money wage depending upon the variations in the cost-of-living index following rise or fall in the general price level and consumer price index. It is an essential ingredient of long-term labour contract unless provision is made to reopen the wage clause periodically.
3) **Labour Union**: Organized labour is able to ensure better wages than the unorganized one. Higher wages may have to be paid by the firm to its workers under the pressure or trade union. 13 If the trade union fails in their attempt to raise the wage and other allowances through collective bargaining, they resort to strike and other methods hereby the supply of labour is restricted. This exerts a kind of influence on the employer to concede at least partially the demands of the labour unions.
4) **Government:**To protect the working class from the exploitations of powerful employers, the government has enacted several laws. Laws on minimum wages, hours of work, equal pay for equal work, payment of dearness and other allowances, payment of bonus, etc., have been enacted and enforced to bring about a measure of fairness in compensating the working class. Thus, the laws enacted and the labour policies framed by the government have an important influence on wages and salaries paid by the employers. Wages and salaries can't be fixed below the level prescribed by the government.
5) **Prevailing Wage Rates**: Wages in a firm are influenced by the general wage level or the wages paid for similar occupations in the industry, region and the economy as a whole. External alignment of wages is essential because if wages paid by a firm are lower than those paid by other firms, the firm will not be able to attract and retain efficient employees. For instance, there is a wide difference between the pay packages offered by multinational and Indian companies. It is because of this difference that the multinational corporations are able to attract the most talented workforce.

II. Internal Factors

1)Ability to Pay

Employer’s ability to pay is an important factor affecting wages not only for the individual firm, but also for the entire industry. This depends upon the financial position and profitability of the firm. However, the fundamental determinants of the wage rate for the individual firm emanate from supply and demand of labour. If the firm is marginal and cannot afford to pay competitive rates, its employees will generally leave it for better paying jobs in other organizations. But, this adjustment is neither immediate nor perfect because of problems of labour immobility and lack of perfect knowledge of alternatives. If the firm is highly successful, there is little need to pay more than the competitive rates to obtain personnel. Ability to pay is an important factor affecting wages, not only for the individual firm but also for the entire industry.

2)<u>Top Management Philosophy</u>

Wage rates to be paid to the employees are also affected by the top management’s philosophy, values and attitudes. As wage and salary payments constitute a major portion of costs and /or apportionment of profits to the employees, top management may like to keep it to the minimum. On the other hand, top management may like to pay higher pay to attract top talent.

3)<u>Productivity of Workers</u>

To achieve the best results from the workers and to motivate him to increase his efficiency, wages have to be productivity based. There has been a trend towards gearing wage increase to productivity increases. Productivity is the key factor in the operation of a company. High wages and low costs are possible only when productivity increases appreciably.

4)<u>Job Requirements</u>

Job requirements indicating measures of job difficulty provide a basis for determining the relative value of one job against another in an enterprise. Explicitly, job may be graded in terms of a relative degree of skill, effort and responsibility needed and the adversity of working conditions. The occupational wage differentials in terms of

a) Hardship,

b) Difficulty of learning the job

c) Stability of employment

d) Responsibility of learning the job and

e) Change for success or failure in the work.

This reforms a basis for job evaluation plans and thus, determines wage levels in an industry.

5)<u>Employees Related Factors :</u>

Several employees related factors interact to determine his remuneration. These include

1 .Performance: productivity is always rewarded with a pay increase. Rewarding performance motivates the employees to do better in future.

2.Seniority: Unions view seniority as the most objective criteria for pay increases whereas management prefer performance to effect pay increases.

3.Experience: Makes an employee gain valuable insights and is generally rewarded

4.Potential: organizations do pay some employees based on their potential. Young managers are paid more because of their potential to perform even if they are short of experience

6)Organizational Politics

Compensation surveys, job analysis, job evaluation and employee performance are all involved in wage and salary decisions. Political considerations may enter into the equation in the following ways:

i) Determination of firms included in the compensation survey: managers could make their firm appear to be a wage leader by including in the survey those organizations that are pay followers.

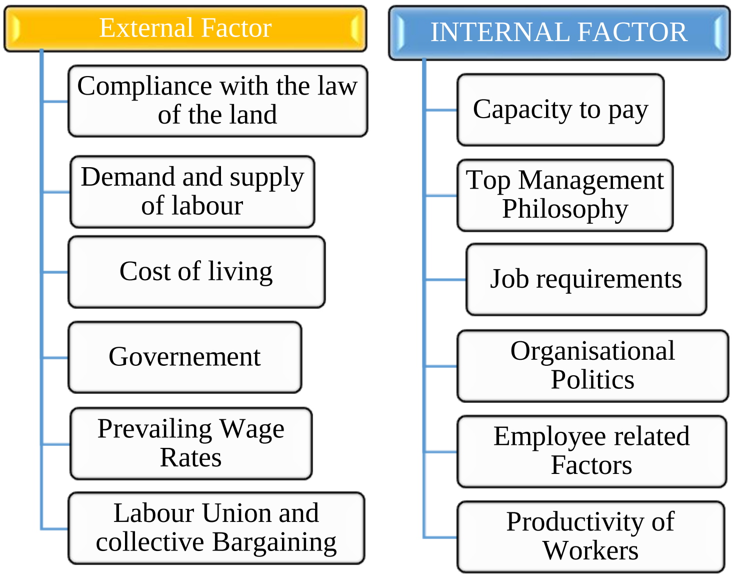
ii) Choice of compensable factors for the job evaluation plan: Again, the job value determined by this process could be manipulated

iii) Emphasis placed on either internal or external equity and

iv) Results of employee performance appraisal may be intentionally disported by the supervisor Thus, a sound and objective compensation system may be destroyed by organizational politic

7)Evaluation of Compensation

Today's compensation systems have come from a long way. With the changing organizational structures workers' need and compensation systems have also been changing. From the bureaucratic organizations to the participative organizations, employees have started asking for their rights and appropriate compensations. The higher education standards and higher skills required for the jobs have made the organizations provide competitive compensations to their employees. Compensation strategy is derived from the business strategy. The business goals and objectives are aligned with the HR strategies. Then the compensation committee or the concerned authority formulates the compensation strategy. It depends on both internal and external factors as well as the life cycle of an organization



COMPENSATION MANAGEMENT

A good compensation package is important to motivate the employees to increase the organizational productivity. Unless compensation is provided no one will come and work for the organization. Thus, compensation helps in running an organization effectively and accomplishing its goals. Salary is just a part of the compensation system; the employees have other psychological and self-actualization needs to fulfil. Thus, compensation serves the purpose.

The most competitive compensation will help the organization to attract and sustain the best talent. The compensation package should be as per industry standards. Human Resource Management (HRM) has never been as significant as it is today. Companies want to attract, retain and motivate brains to meet objectives. Today humans are regarded as one of every company's asset, so they need to be efficiently and effectively managed. One of the tools companies use to attract, retain and motivate its people is Compensation Management.

OBJECTIVES OF COMPENSATION MANAGEMENT

1. To Establish a Fair and Equitable Remuneration

Effective compensation management objectives are to maintain internal and external equity in remuneration paid to employees. Internal equity means similar pay for similar 18 work. In other words, compensation differentials between jobs should be in proportion of differences in the worth of jobs. External equity implies pay for a job should be equal to pay for a similar job in other organizations. Payments based on jobs requirements, employee performance and industry levels minimize favouritism and inequities in pay.

2. To Attract Competent Personnel

A sound wage and salary administration help to attract qualified and hardworking people by ensuring an adequate payment for all jobs. For example, IT companies are competing each other and try their level best to attract best talents by offering better compensation packages.

3. To Retain the Present Employees

By paying competitive levels, the company can retain its personnel. It can minimize the incidence of quitting and increase employee loyalty. For example,employee’s attrition is high in knowledge sectors (Ad-agency, KPO, BPO etc.,) which force the companies to offer better pay to retain their employees.

4. To Improve Productivity

Sound wage and salary administration helps to improve the motivation and morale of employees which in turn lead to higher productivity. Especially private sectors companies’ offer production linked compensation packages to their employees which leads to higher productivity.

5. To Control Cost

Through sound compensation management, administration and labour costs can be kept in line with the ability of the company to pay. If facilitates administration and control of pay roll. The companies can systematically plan and control labour costs.

6. To Improve Union Management Relations

Compensation management based on jobs and prevailing pay levels are more acceptable to trade unions. Therefore, sound wage and salary administration simplify collective bargaining and negotiations over pay. It reduces grievances arising out of wage inequities.

7. To Improve Public Image of the Company

Wage and salary programme also seeks to project the image of the progressive employer and to company with legal requirements relating to wages and salaries.

8. To Improve Job Satisfaction

If employees would be happy with their jobs and would love to work for the company if they get fair rewards in exchange of their services.

9. To Motivate Employees: Employees

All have different kinds of needs. Some of them want money so they work for the company which gives them higher pay. Some of them value achievement more than money, they would associate themselves with firms which offer greater chances of promotion, learning and development. A compensation plans that hits workers’ needs is more likely to motivate them to act in the desired way.

10. Peace of Mind

Offering of several types of insurances to workers relieves them from certain fears, as a result workers now work with relaxed mind.

11. Increases Self-Confidence

Every human being wants his/her efforts to get acknowledgment. Employees gain more and more confidence in them and in their abilities if they receive just rewards. As a result, their performance level shoots up.

SIGNIFICANCE OF COMPENSATION MANAGEMENT:

Compensation and Reward system plays vital role in a business organization. Since, among four Ms, i.e. Men, Material, Machine and Money, Men has been most important factor, it is impossible to imagine a business process without Men.

Every factor contributes to the process of production/business. It expects return from the business process such as rent is the return expected by the landlord, capitalist expects interest and organizer i.e. entrepreneur expects profits. Similarly, the labour expects wages from the process.

Labour plays vital role in bringing about the process of production/business in motion. The other factors being human, has expectations, emotions, ambitions and egos. Labour therefore expects to have fair share in the business/production process. Therefore, a fair compensation system is a must for every business organization. The fair compensation system will help in the following:

- An ideal compensation system will have positive impact on the efficiency and results produced by employees. It will encourage the employees to perform better and achieve the standards fixed.
- It will enhance the process of job evaluation. It will also help in setting up an ideal job evaluation and the set standards would be more realistic and achievable.
- Such a system should be well defined and uniform. It will be applied to all the levels of the organization as a general system.
- The system should be simple and flexible so that every employee would be able to compute his own compensation receivable.
- It should be easy to implement, should not result in exploitation of workers.
- It will raise the morale, efficiency and cooperation among the workers. It, being just and fair would provide satisfaction to the workers.
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- Such system would help management in complying with the various labour acts.
- Such system should also solve disputes between the employee union and management.
- The system should follow the management principle of equal pay.
- It should motivate and encouragement those who perform better and should provide opportunities for those who wish to excel.
- Sound Compensation/Reward System brings peace in the relationship of employer and employees. It aims at creating a healthy competition among them and encourages employees to work hard and efficiently.
- The system provides growth and advancement opportunities to the deserving employees. ➢➢ The perfect compensation system provides platform for happy and satisfied workforce. This minimizes the labour turnover. The organization enjoys the stability.
- The organization is able to retain the best talent by providing them adequate compensation thereby stopping them from switching over to another job.
- The business organization can think of expansion and growth if it has the support of skillful, talented and happy workforce.
- The sound compensation system is hallmark of organization's success and prosperity. The success and stability of organization is measured with pay-package it provides to its employees

PRINCIPLES OF COMPENSATIONADMINISTRATION

- ✓ Compensation policy should be developed by taking into consideration of the views of employers, the employees, the consumers and the community.
- ✓ The compensation policy or wage policy should be clearly defined to ensure uniform and consistent application.
- ✓ The compensation plan should be matching with overall plans of the company. Compensation planning should be part and parcel of financial planning
- ✓ Management should inform the wage/salary related policies to their employees. Workers should be associated in formulation and implementation of wage policy
- ✓ All wage and salary related decisions should be checked against the standards set in advance in the wage/salary policy
- ✓ To manage compensation related matters adequate information/data should be developed and stored for future planning and execution.
- ✓ The compensation policy and programme should be reviewed and revised periodically in conformity with changing need.

EQUITY IN COMPENSATION

Compensation equity is the employee perspective that the pay they received in exchange for the work demanded was fair and equitable. Equity is a sense of fundamental fairness. In the context of compensation, **financial equity**, or **compensation equity**, is the perception by employees that they are being paid fairly. The perception of being overpaid or underpaid can create a sense of inequity in the workplace a sense of unfairness.

Why equity compensation? Or importance of equity in compensation

The major advantage of equity-based compensation is the financial considerations both for the employer and the employee. It allows employers to offer their employees more – which is great for the employees – while not affecting their bottom line – which is great for the employer.

More equity compensation benefits:

- **Helps attract and retain talent**: It is particularly useful for smaller companies that are just starting out, allowing them to offer employees a portion of their potential when they don't have much cash to hand. So, they can remain on solid financial ground.
- **Attains greater alignment**: Employers benefit from the alignment of their employees' values with the company's missions.
- **Achieves lower absenteeism:** Employees work harder and are more productive as their performance impact how much they can earn.
- **Builds employee engagement**: Employees likely generate a feeling of team spirit – they're not just employees, they're employee-owners and can often make valuable contributions to the company's direction through shareholder voting.
- **Enjoys tax benefits:** Both the employer and the employee can enjoy tax benefits from some approved plans, e.g. qualified ESPP and ESOP
- **Help cash-flow management**: Equity compensation reduces the amount paid out in cash, especially ideal for companies with limited cash flow.

ELEMENTS OF EQUITY/DESIGNING EQUITABLE COMPENSATION SYSTEM/EXTERNAL AND INTERNAL PAY EQUITY/FACTORS:

External equity and internal equity make up the two halves of fair pay. Both are key toward attracting and retaining top talent, but they require substantially different approaches to manage.

1.External equity:

A simple definition of external equity is employee's perception of the conditions and rewards of their employment, compared with employees from other firms. External equity is the term used to describe fair and competitive compensation with respect to the market value of a job. Considering external equity involves researching alignment to what competing employers pay to attract and retain employees who have similar skills and responsibilities as the prospective new hire. Compensation is a tool used by management for a variety of purposes to further the existence of the company.

2.Internal equity:

Equal pay for equal work within the organization. Employers need to establish a pay structure that meets employees' equity expectancies. One way is through internal equity, whereby the system aims to achieve a fair pay differential among all the employees aligned to each position within the organization. Managing and implementing an internally equitable pay structure can be delicate and difficult to achieve. As it is often easy for an employee to know their colleagues' salaries, fairness is essential when a system is chosen.

To have a successfully established compensation system and to correctly evaluate the different jobs within an organization, four techniques are available; job ranking, job classification, point systems and factor comparison. These techniques are adjustable to different kinds of organization.

Types of Equity Compensation

1.Stock Options:

Companies that offer equity compensation can give employees stock options that offer the right to purchase shares of the companies' stocks at a predetermined price, also referred to as exercise price. This right may vest with time, allowing employees to gain control of this option after working for the company for a certain period of time. When the option vests, they gain the right to sell or transfer the option. This method encourages employees to stick with the company for the long term. However, the option typically has expiration.

Employees who have this option are not considered stockholders and do not share the same rights as shareholders. There are different tax consequences to options that are vested versus those that are not, so employees must look into what tax rules apply to their specific situations.

2.Non-Qualified Stock Options (NSOs) and Incentive Stock Options (ISOs)

Additional types of equity compensation include non-qualified stock options (NSO) and incentive stock options (ISOs). ISOs are only available to employees (and not non-employee directors or consultants). These options provide special tax advantages. For example, with non-qualified stock options, employers do not have to report when they receive this option or when it becomes exercisable.

3.Restricted Stock:

Restricted stock requires the completion of a vesting period. Vesting may be done all at once after a certain period of time. Alternatively, vesting may be done equally over a set period of years, or any other combination that the management of a company finds suitable. Restricted stock units (RSUs) are similar, but they represent the company's promise to pay shares based on vesting schedule. This offers some advantages to the company, but employees do not gain any rights of stock ownership, such as voting, until the shares are earned and issued.

4.Performance Shares:

Performance shares are awarded only if certain specified measures are met.4 These could include metrics, such as an earnings per share (EPS) target, return on equity (ROE), or the total return of the company's stock in relation to an index. Typically, performance periods are over a multi-year time horizon.

5.(Cash) deferred bonus plans – SARs & Phantom stock:

A deferred bonus is an equity form that doesn't really use stock but still rewards employees with compensation that is tied to the company's stock performance. So, participants are not shareholders and don't have voting rights. Your award depends on the appreciation of the stock value or the full stock value. Once the vesting period (usually time-based) is over, participants can get a cash equivalent or the actual stock (less often).

6.Employee stock purchase plans (ESPPs):

Usually used by public companies who want to attract, retain, and/or motivate employees, ESPPs allow participants to purchase stock in their companies at a discount – often between 5-15% off the fair market value (FMV).The way they do this is by making contributions directly from employees' pay checks using after-tax dollars over some time. Their accumulated contributions are used to buy company shares at the purchase date.

Disadvantages of compensation:

- Some **equity** compensation increases owners and will dilute the ownership of that company.
- The company will be liable to take back shares for a limited period.
- If the company doesn't perform well, it is answerable to many shareholders.
- Some shares don't bear ownership; if the company issues such a type, it may end up not selling those stocks.

APPROACHES TO INTERNATIONAL COMPENSATION

There are four basic approaches to determine the international compensation package:

1. Going rate approach

2. Balance sheet approach

3. International citizen’s approach

4. Lump sum approach

1. Going Rate Approach

This is based on the local market rates. It relies on comparisons of survey of the local nationals, expatriates of same nationality and expatriates of all nationalities’ pay packages. In this approach, the compensation is based on the selected survey comparison. The base pay and benefits may be supplemented by additional payments for low pay countries

2.Balance Sheet Approach:

The Balance Sheet Approach to international compensation is a system designed to equalize the purchasing power of employees at comparable position levels living abroad and in the home country and to provide incentives to offset qualitative differences between assignment locations. The balance sheet approach is widely used by international organizations to determine the compensation package of the expatriates. The basic objective is the maintenance of living standards of the home country plus financial inducement.

Goods and Services: Outlays incurred in the home country for food, personal care, clothing, household furnishing, recreation, transportation and medical care.

Housing: All major costs associated with housing in the host count…

3.International citizen’s approach

In this approach to expatriate compensation, an international basket of goods is used for all expatriates, regardless of country of origin. The basket of goods includes food, clothing, housing. However, expatriates are not provided salary adjustments that would allow them to purchase exactly the same items in the host country as in the home country. Rather, they receive adjustments that would allow them to purchase a comparable local product of the same nature.

4.Lumpsum approach

This involves giving expatriate a predetermined salary and letting the individual decide about how to spend it. Finally, there is the regional system, under which the MNC sets a compensation system for all expatriates who are assigned to a particular region.

FRINGE BENEFITS

Fringe benefits are additions to compensation that companies give their employees. Some fringe benefits are given universally to all employees of a company while others may be offered only to those at executive levels. Some benefits are awarded to compensate employees for costs related to their work while others are geared to general job satisfaction.

A fringe benefit is a benefit that an employee receives in addition to their regular salary. It can include a variety of perks, including:

Health insurance

Subsidized meals

A company phone or laptop

While companies may require some fringe benefits for all team members, employers can also offer them to specific individuals as rewards. Employers may offer benefits based upon your industry or the company itself. For example, if you work at a restaurant, you receive free meals. If you work at an athletic center, you might receive free exercise classes.

TYPES OF FRINGE BENEFITS

Here are some examples of fringe benefits you might encounter with your current or future employer:

- Stock options:
  Stock options allow team members to have ownership in the company. Recipients can purchase shares at a fixed rate and gain money in stock value as the company succeeds.
- Free or discounted meals:
  Employers might offer free or discounted meals as a fringe benefit. This could include catered lunches, coffee or discounts on company food offerings.
- Free gym membership:
  Free or discounted gym memberships may be a popular fringe benefit if you work in an athletic store. If your company has an in-house gym, they might also provide you with free gym access.
- Transportation assistance:
  If you commute to work, your employer might offer you transportation assistance, including reimbursement for buses, trains, parking or gas. If your position requires frequent travel, your employer might offer access to a company-owned vehicle.
- Tuition reduction or assistance:

Some employers might offer you help pay for your tuition via tuition reduction or assistance. Advanced degrees are a smart investment for employers as they can improve team member skills set and the quality of their work.

- Life, dental or vision insurance:
  Some employers offer their employees various forms of insurance. The type of insurance and the coverage plans available may vary to suit different team members' needs.
- Childcare reimbursement:
  Some employers offer to pay for some or all of your childcare costs during the time you're at work. Others offer childcare on-site.
- Unlimited paid time off (PTO):
  While some employers offer a set number of PTO days, others offer unlimited PTO days for team members who consistently meet management expectations for work.
- Discounted amusement park tickets:
  Discounted tickets to theme parks are a useful fringe benefit for employees who enjoy visiting various amusement parks with friends or family. This is a great way for employers to show they believe in a healthy work-life balance.
- Retirement plan contributions:
  An employer-contributed 401(k) plan helps you save for retirement. When employers match or make qualified contributions to your 401(k) plan, you can see an increase in the amount of your overall retirement.
- Company cell phone:
  If your position requires you to make many calls, employers might offer a company cell phone. This can save you money on monthly usage costs and the price of the phone itself.
- Moving expenses:
  Your employer might offer relocation assistance to offset the cost of moving for a job if you don't yet live in the area.
- Free or discounted lodging:
  Employers might offer free or discounted lodging at a hotel or similar establishment if you travel on the job. For example, if you're speaking at a conference in a different city, your employer might pay for your stay at a hotel.
- Paid sick days:
  It's common for most employers to offer a certain number of paid sick days per year for the times when you are ill. These days are in addition to other forms of paid time off.

RETIREMENT BENEFITS

Pension

The minimum eligibility period for receipt of pension is 10 years. A Central

Government servant retiring in accordance with the Pension Rules is entitled to receive superannuation pension on completion of at least 10 years of qualifying service.

In the case of Family Pension the widow is eligible to receive pension on death of her spouse after completion of one year of continuous service or before even completion of one year if the Government servant had been examined by the appropriate Medical Authority and declared fit for Government service.

I.e. 1.1.2006, Pension is calculated with reference to average emoluments namely, the average of the basic pay drawn during the last 10 months of the service or last basic pay drawn whichever is beneficial. Full pension with 10/20 years of qualifying service is 50% of the average emoluments or last basic pay drawn whichever is beneficial. Before 1.1.2006, for qualifying service of less than 33 years, amount of pension was proportionate to the actual qualifying service broken into completed half-year periods. For example, if total qualifying service is 30 years and 4 months (i.e. 61 half-year periods), pension will be calculated as under:-

Pension amount = R/2(X)61/66

where R represents average reckonable emoluments for last 10 months of qualifying service or the last pay drawn as opted by the govt servant.

Minimum pension presently is Rs. 3500 per month. Maximum limit on pension is 50% of the highest pay in the Government of India (presently Rs. 45,000) per month. Pension is payable up to and including the date of death.

Commutation of Pension

A Central Government servant has an option to commute a portion of pension, not exceeding 40% of it, into a lump sum payment with effect from 1.1.1996. No medical examination is required if the option is exercised within one year of retirement. If the option is exercised after expiry of one year, he/she will have to under go medical examination by the specified competent authority.

Lump sum payable is calculated with reference to the Commutation Table constructed on an actuarial basis. The monthly pension will stand reduced by the portion commuted and the commuted portion will be restored on the expiry of 15 years from the date of receipt of the commuted value of pension. Dearness Relief, however, will continue to be calculated on the basis of the original pension (i.e. without reduction of commuted portion).

The formula for arriving for commuted value of Pension (CVP) is
CVP = 40 % (X) Commutation factor* (X)12

*** The commutation factor will be with reference to age next birthday on the date on which commutation becomes absolute as per the New Table as Annexure to this Deptt's**

Death/Retirement Gratuity

Retirement Gratuity

This is payable to the retiring Government servant. A minimum of 5 years qualifying service and eligibility to receive service gratuity/pension is essential to get this one time lump sum benefit. Retirement gratuity is calculated @ 1/4th of a month�s Basic Pay plus Dearness Allowance drawn before retirement for each completed six monthly period of qualifying service. There is no minimum limit for the amount of gratuity. The retirement gratuity payable is 16� times the Basic Pay, subject to a maximum of Rs. 10 lakhs.

Death Gratuity

This is a one-time lump sum benefit payable to the widow/widower or the nominee of a permanent or a quasi-permanent or a temporary Government servant, including CPF beneficiaries, dying in harness. There is no stipulation in regard to any minimum length of service rendered by the deceased employee. Entitlement of death gratuity is regulated as under:

Qualifying Service	Rate
Less than one year	2 times of basic pay
One year or more but less than 5 years	6 times of basic pay
5 years or more but less than 20 years	12 times of basic pay
20 years of more	Half of emoluments for every completed 6 monthly period of qualifying service subject to a maximum of 33 times of emoluments.

Maximum amount of Death Gratuity admissible is Rs. 10 lakhs w.e.f. 1.1.2006

Service Gratuity

A retiring Government servant will be entitled to receive service gratuity (and not pension) if total qualifying service is less than 10 years. Admissible amount is half months basic pay last drawn for each completed 6 monthly period of qualifying service. There is no minimum or maximum monetary limit on the quantum. This one time lump sum payment is distinct from and is paid over and above the retirement gratuity.

Issue of No Demand Certificate

Dues owed by the retiring employees on account of Licence Fee for Government accommodation, advances, over payment of pay and allowances are required to be assessed by the Head of Office and intimated to the Accounts Officer two months in advance of the date of retirement so that these are recovered from retirement gratuity before payment. For this purpose the Licence Fee for those in occupation of Government accommodation is taken into account up to the end of the permissible period for which accommodation can be retained after retirement under the Rules on normal rent. The recovery of Licence Fee beyond that period is the responsibility of the

Directorate of Estates. If, for any reason final dues cannot be assessed on time, then 10% of gratuity is withheld from gratuity

General Provident Fund and Incentives

As per General Provident Fund (Central Services) Rules, 1960, all temporary Government servants after a continuous service of one year, all re-employed pensioners (Other than those eligible for admission to the Contributory Provident Fund) and all permanent Government servants are eligible to subscribe to the Fund. A subscriber, at the time of joining the fund is required to make a nomination, in the prescribed form, conferring on one or more persons the right to receive the amount that may stand to his credit in the fund in the event of his death, before that amount has become payable or having become payable has not been paid. A subscriber shall subscribe monthly to the Fund except during the period when he is under suspension. Subscriptions to the Provident Fund are stopped 3 months prior to the date of superannuation. Rates of subscription shall not be less than 6% of subscribers emoluments and not more than his total emoluments. Rate of interest on GPF accumulations with effect from 1.4.2009 is 8% compounded annually and the rate of interest will vary according to notifications of the Government. The Rules provide for drawls of advances/ withdrawals from the Fund for specific purposes.

Deposit Linked Insurance Revised Scheme

Under the GPF Rules, on the death of subscriber, the person entitled to receive the amount standing to the credit of the subscriber shall be paid an additional amount equal to the average balance in the account during the 3 years immediately preceding the death of the subscriber subject to certain conditions provided in the relevant Rule. The additional amount payable under that Rule shall not exceed Rs. 60,000/-. To get this benefit, the subscriber should have put in at least 5 years service at the time of his/her death.

Contributory Provident Fund

The Contributory Provident Fund Rules (India), ,1962 are applicable to every non-pensionable servant of the Government belonging to any of the services under the control of the President. A subscriber, at the time of joining the Fund is required to make a nomination in the prescribed Form conferring on one or more persons the right to receive the amount that may stand to his credit in the Fund in the event of his death, before that amount has become payable or having become payable has not been paid.

A subscriber shall subscribe monthly to the Fund when on duty or Foreign Service but not during the period of suspension. Rates of subscription shall not be less than 10% of the emoluments and not more than his emoluments. The employer contribution at that percentage prescribed by the Government will be credited to the subscribers account and this is 10%. Rate of interest with effect from 1.4.2009 is 8% compounded annually. The Rules provide for drawls of advances/ withdrawals from the CPF for specific purposes. As in GPF Rules, the CPF Rules also provide for Deposit Linked Insurance Revised Scheme.

Leave Encashment

Encashment of leave is a benefit granted under the CCS (Leave) Rules and not a pensionary benefit. Encashment of Earned Leave/Half Pay Leave standing at the credit of the retiring Government servant is admissible on the date of retirement subject to a maximum of 300 days. There is no provision under the Rule for payment of interest on delayed payment of Leave Encashment.

Central Government Employees Group Insurance Scheme

A portion of monthly contributions paid while in service is credited in a Saving Fund, on which interest accrues. A Government servant while entering service has to apply in Form No. 4 of the above Scheme to the Head of Office, who shall issue a sanction for the payment of subscribers accumulation in the Savings Fund segment together with interest and arrange for its disbursement, soon after retirement. Payments under this Scheme are made in accordance with the Table of Benefit which takes in to account interest up to the date of cessation of service. Insurance cover benefit under this Scheme is available to the family in the event of death of the subscriber. No interest is payable on account of delayed payments under this Scheme.

BENEFITS TO EMPLOYEES: STATUTORY AND VOLUNTARY BENEFITS

Various benefits provided to the employees may be classified on different bases. One classification may be in terms of statutory and voluntary benefits. Various benefits provided to employees under these two categories are discussed hereunder.

1. Statutory Benefits:

These benefits are mandatory provided under the provisions of various Acts as discussed below:

(1) The Factories Act,

This Act covers areas including health, welfare, safety, working hours, leave with wages, etc. The various benefits provided under the Act include:

(i) No worker (adult) shall be required to work in a factory for more than 48 hours in any week (Section 51);

(ii) The working hours shall be kept restricted to 9 hours on any day (Section 54);

(iii) An adult worker shall have weekly paid holidays, preferably Sunday;

(iv) A worker deprived of weekly holidays, is eligible for compensatory holiday of the same number in the same month;

(v) Provision for double salary to the workers working during holidays; and

(vi) Provision for canteen employing more than 250 workers and creches where more than 30 women employees are working.

(ii) The Mines Act, 1952:

Apart from provision for canteen and creches, the Mines Act, 1952 specifies that there should be provision for first-aid boxes and first-aid rooms in mines employing more than 150 workers and appointments of a welfare officer in mines employing more than 500 workers.

iii) The Plantation Labour Act, 1951:

Appointment of a Welfare Officer in Plantations employing 300 or more workers is also specified in the Act. Besides, workers who worked for 240 days during a calendar year are eligible for paid vacation at the rate of one day for every 20 days worked in case of adult works and at the rate of one day for every 15 days worked in case of child workers.

(iv) The Motor Transport Workers Act, 1961:

Under this Act also, provisions for canteen, rest rooms, uniform, raincoats, medical facilities, etc., are made. First-aid facilities equipped with the prescribed contents are to be provided in every transport vehicle.

(v) Employees' State Insurance Act, 1948:

This Act deals comprehensively about the health benefits to be provided to the employees, working in factories, establishments running with power and employing 20 or more workers. The main benefits provided under this Act include sickness benefit for 56 days in a year, maternity benefit, disablement benefit, dependent's benefit, medical benefit, etc..

(vi) Workmen's Compensation Act, 1923:

In addition to safety and health measures, provision for the payment of compensation has also been made under this Act. The Act covers the employees whose wages are less than Rs. 500 per month. Amount of compensation depends on nature of injury and the monthly wages of employee. In case of death of the employee, his defendants are eligible for compensation.

2. Voluntary Benefits:

Voluntary benefits are determined and provided by the individual organizations at their own. These benefits may include educational facilities, transportation facilities, housing facilities, recreational facilities, consumer cooperative societies, subsidized lunch/refreshment, child care,etc. Since providing these facilities is obligatory on the part of employers, hence the level and degree of facilities provided vary across the organizations.

U.S. Chamber of Commerce has classified employee benefits into five categories as follows:

1. Legally – required payments:

(i) Old age pension

(ii) Disability pension

(iii) Unemployment insurance

(iv) Worker's compensation

2. Contingent and deferred benefits:

(i) Pension Plans

(ii) Group life insurance

(iii) Maternity leave

3. Payment for time not worked:

(i) Vacation

(ii) Holidays

(iii) Voting Pay Allowance

4. Paid rest periods:

(i) Waste-up time

(ii) Lunch periods.

5. Christmas Bonus:

TAX ASPECTS

The Income Tax Act allows various Income Tax Exemptions for Salaried Employees which are very effective in saving taxes. A salaried employee would be required to intimate his employer that he is claiming these income tax exemptions available for Salaried Employees and then the Employer would compute the Tax on the balance income as per the Income Tax Slabs and deduct TDS on Salary accordingly.

The TDS deducted from Salary Income is reflected in the Form 16 which is required to be given by the employer to all his employees for deduction of TDS during the financial year. The TDS so deducted is also reflected in the Form 26AS which can be downloaded online by the employees themselves

Income Tax Exemptions for Salaried Employees

The various Income Tax Exemptions for Salaried Employees have been mentioned below. These Income Tax Exemptions for Salaried Employees are highly advisable to everyone as they help in saving tax legally thereby reducing the tax burden on the Salaried Employee.

For a detailed view on each Income Tax Exemption for Salaried Employees, kindly refer the link attached in the following points..

1. HRA Exemption for Salaried Employees

Many employers give House Rent Allowance (HRA) to their employees for them to reside at a good place. A portion of the House Rent Allowance given by an employer to an employee is exempted from the levy of the Income Tax and Income Tax is only levied on the remaining part. HRA Exemption is one of the most useful income tax exemptions for Salaried Employees as it can be easily claimed and the amount of exemption allowed is also large.

2. Income Tax Exemption on Leave Travel Allowance

Many employers also give allowances to their employees to go on a vacation with their respective families. The amount given by the employer to an employee to go on a vacation is exempted from the levy of tax to a certain extent provided that the amount given was for a vacation in India only. Leave Travel Allowance is also an effective income tax exemption for Salaried Employees. However, this amount can only be claimed if the employee actually goes on a vacation as bills for the same would be required to be furnished.

3. Exemption on Encashment of Leaves for Salaried Employees

Most employers give all their employees a certain no. of days which can be claimed as leaves. However, in case a person does not claim these leaves, many employers also give their employees the option for en-cashing these leaves i.e. the employers pays extra to the employees for the leaves which were allowed to be taken but were not taken. This amount received as Leave Encashment is also allowed to be claimed as an exemption up to a certain extent.

4. Tax Exemption from Pension Income for Salaried Employees

On retirement of an employee, many employers pay a pension to their employees. Sometimes, the employer pays pension from his own pocket and in some cases, the employer purchases an annuity and then the pension is being paid by the organisation from whom the annuity has been purchased. The Pension can be of 2 types i.e. Commuted and Uncommuted. In commuted pension, the whole amount of pension is received in lump-sum whereas in Uncommuted Pension, the amount is paid in instalments at regular intervals. Irrespective of the type of Pension, Income Tax Exemption is given in both types of pensions up to a certain limit.

5. Income Tax Exemption on Gratuity for Salaried Employees

Gratuity is a gift made by the employer to his employee in appreciation of the past services rendered by the employee. Gratuity can either be received by:

1. The employee himself at the time of his retirement

2. The legal heir at the time of the death of the employee

For the purpose of computing Income Tax Exemptions for Salaried Employees who have received gratuity, the employees can be segregated into 3 parts and then the exemption is allowed depending on the category they are into:-

1. Govt. Employees and employees of Local Authorities

2. Employees covered under the Payment of Gratuity Act, 1972

3. Employees not covered in any of the 2 above.

For income tax exemption on the amount received as Gratuity, kindly refer this link.

6. Income Tax Exemption on VRS Received

Many employees opt for Voluntary Retirement before the actual age of retirement (i.e. 60 years). In such cases, the employer sometimes gives some money to the employee on his voluntary retirement. The amount received or receivable by the employee on voluntary retirement under the golden handshake scheme is exempted under Section 10(10C) For computation and tax on amount received as VRS, kindly refer this link.

7. Income Tax Exemption for Perquisites

Some employers also give their employees various perquisites/facilities like Car, Mobile phones, Rent Free accommodation. Such perquisites are not fully tax free. A specific value of such facilities is allowed as an exemption and value of the balance facilities allowed is allowed as an exemption.

8. Exemption of Various Allowances

Various other allowances like Transport Allowance, Children Education Allowance are also allowed as Income Tax Exemptions to Salaried Employees but only up to a certain limit.

Relevant Points regarding Income Tax Exemptions for Salaried Employees

1. The above stated 8 Income Tax Exemptions for Salaried Employees are the most useful exemptions. However, there are various other exemptions as well but are not commonly used.

2. The above stated income tax exemptions are only available to Salaried Employees. However, there are various other ways of saving taxes as well which are available to all categories of taxpayers like Benefit of Interest on Home Loan, Income Tax Deductions from Sec 80C to 80U, Capital Gains Exemption under Section 54 etc