Conclusions

Though primarily an agrarian country with 80% of its population depending on it, Bangladesh is trying hard to develop and modernise its industries. The main objective is to raise the per capita GDP of the country which is now US $ 121, the lowest in the world. This situation is getting further aggravated with a high population growth rate of 2.6% per annum. Since recently liberated from the yoke of an 'almost colonial' rule, political instability and numerous other problems are there to be encountered by the economy to achieve speedy growth. With independence, there has emerged a huge public sector increasing the involvement of the Government in the economic sphere. At present, developmental plans have been envisaged to develop the private sector to play an important role in the growth of the economy along with the Government sector. Already several industrial enterprises have been disinvested or handed over to their previous owners and various fiscal measures have been adopted to encourage the private investors - both national and foreign - to come forward to set up industrial projects in the country.

Unfortunately, the performance of the public sector has not been satisfactory. There is also crisis in government management. The country's economic growth and self-reliance entails whole-hearted efforts of the human resources of the country particularly of those who are at the higher echelons of the organisational reach. Since these executives are responsible for managing the economic enterprises
of the country and also for implementation of different developmental activities, it is imperative that they should be properly motivated to put forth maximum energy for improving organisational efficiency. It has been seen in various research studies that economic incentives do play significant role in motivating and incentivating people to work hard. Hence the importance of executive compensation. The present study aims at examining compensation practices and related issues of the executives employed in both public and private sector industry and in the Government. The pages that follow summarise the main findings of the study and suggest measures which might have important policy implications. These relate to:

1. Executive salaries
2. Fringe Benefits
3. Incentives for Executives
4. Perceptions of Executives toward Different Elements of Compensation
5. Salary Administration in Industry and Government in Bangladesh.

8.1 MAIN FINDINGS

8.1.1 EXECUTIVE SALARIES

a) Throughout the Pakistan period, the salary policies of all public employees were guided by the recommendations of the Islington's Commission, 1917. Inspite of the efforts by different pay commissions constituted during this period to rationalise the salary structures, from they suffered/ various anomalies. The ratio between highest and lowest pay was as high as 62:1. The ratio between highest and lowest pay of executives was about 8.5:1 and 7:1 for public enterprises and Government respectively. Executive compensation was quite high in the
NPSI and MNC's compared to those in public sector industries and Government particularly in the case of upper level executives. However, the compensations in the public sector industries and Government were comparable.

b) With the objective of establishing socialist economy the Bangladesh Government attempted to even out salary disparities in the country by fixing the highest salary at Tk 1000 in 1972 but under top bureaucratic pressure this ceiling was revised upward to Tk 2000 within a year. The private sector somehow managed to avoid the impact of this directive by allowing its executives a number of fringes. This created considerable tensions among bureaucracy and Government fully recognising the situation constituted a Pay Commission.

c) The Pay Commission Report, 1973 rationalised the salary structure by reducing the number of scales into 10 from about more than 2000 for entire public sector. It fixed the highest and lowest ceiling of pay at Tk 2000 and Tk 130 bringing down the ratio between the highest and lowest pay to about 15:1. The ratio between highest and lowest executive pay was also reduced to 4.2:1. In the private sector since the ban on salary ceiling was withdrawn, they either designed new salary structures or modified the old structures in the light of changed circumstances. The recommended salary scales (PER, 1973) for executives from I to IV grades could not be implemented as new scales resulted in reduction of their salaries. However, they managed to receive 20% adhoc benefit for non-implementation. Again, in July 1977, Government granted adhoc relief to all categories of employees @ 15% p.m. on their basic pay in view of the colossal spurt in the cost of living in the country.
d) In 1977, Government by an executive order revised the salary structure fixing the highest and lowest limit at Tk 3000 and Tk 225 respectively. It introduced 20 and 21 pay scales for employees of the NIS and Government of which first 9 and 10 were meant for the executives of the said sectors. It fixed the ratio between highest and lowest pay to about 13:1 and within the executive group to 4:1.

e) The present salary structures of the NIS and Government are almost similar and it is a single graded structure with fixed increments. But the first two grades have fixed salary with no opportunities for progression. In the NIS and the Government, it has been observed that the inter-grade salary differentials are small providing little incentives to executives. Moreover, intra-grade spread of the salary scales are also not sufficiently wide to reward executives with pay increases where promotional opportunities are lacking. In the NPSI, widely different systems of salaries are in vogue. Some of them follow the salary structures of the NIS with certain modifications for the upper level executives; some follow their own structures; while others do not have any defined salary structures at all. The NPSI do not always follow the salary structures and in many cases merit increments are given even beyond the highest ceiling of the scale. Where no salary structures exist, a consolidated amount is paid with suitable break up to have maximum tax advantages. MNC's do have their own salary structures and one of the most striking features is that in most of the enterprises there are no upper ceilings. This enables them to reward executives with merit increases of pay particularly where adequate promotional avenues are meagre.
The cost of executive salaries to total sales vary widely in the different sectors. In the NIS, it clusters around 1% of the total sales; in the NPSI this varies from 1 to 4 percent of the sales in different years; whereas in the MNC's this cost ranges from 2.2 to 7.69 percent of the sales. Total salary and wages in the Government in different years vary from 22.56 to 30.98 percent of the total revenue receipt and 34.57 to 39.10 percent of the total revenue expenditure.

The salary structures of the NIS and Government are not properly maintained and there exist no provisions to review the structure with change in the price-levels. Though there has been almost six fold increase in the cost of living from 1969-70 to 1980-81, the salary increases of the executives have been very negligible. On the contrary, there have been decreases in the salaries of some upper level executives of the NIS. In the NPSI, salary levels of executives have doubled compared to those of 1969-70. In MNC's salary levels have behaved in a better way with increase in cost of living. In one enterprise, it has been seen that salaries have risen by 500%, 612%, 323% and 342% for top, upper-level, mid-level and junior executives respectively.

There have been considerable compression in the salary structures of the NIS and Government. Over a period of 50 years between 1929 and 1979, it has been observed that substantial compression in the incomes of selected categories of employees have occurred. But in the NPSI and MNC's no compression took place. In one MNC, it is seen that rather the opposite happened in the salary levels.
i) In the NIS and the Government the important factors influencing salary encompassed - reducing income disparity, cost of living, encouraging social reproduction of skills, acting as a model employer, providing incentives, developmental needs of the country, etc. Surprisingly work performance of the executives did not get the due weightage in determining salary levels. On the other hand, both in the MPSI and MNC's work performance is an important factor determining salary levels of the employees and subsequent increases.

j) Considering average salary of all executives, the various sectors may be ranked as follows: MNC's (Tk 3832) - 1st, NPSI (Tk 3229) - 2nd, NIS (Tk 2380) - 3rd and Government (Tk 2117) - 4th. It is seen that all categories of executives of the MNC's receive much higher salary compared to other sectors. Upper-level executives of the NPSI also get higher salary compared to similar group in MPSI and Government. Mid-level executives of MPSI, NPSI and Government receive almost comparable salary. But junior executives of the NPSI get the lowest salary.

k) Regarding salary differentials between different levels of executives in various sectors it has been observed that it is highest in the NPSI followed by MNC's, Government and NIS. In MPSI, mid-level and upper-level executives receive 187% and 392% of the salary of a junior executive; in the MNC's these figures for mid-level and upper-level executives are 134% and 286% respectively. In the Government, mid-level and upper-level executives are receiving 167% and 196% of the salary of a junior executive whereas in the MPSI, the corresponding figures are 154% and 184% respectively.
It has been observed that age is an important factor in the placement of the executives in different levels and consequently on their salary level particularly in the NIS and Government, but in the NPSI and MNC's its importance is quite less (Table 3.24). Experience is another important factor influencing the placement of executives in different levels and thereby their salaries in all sectors excepting NPSI (Table 3.25). Educational level also constitute another important factor in the executives' placement in different levels in the NIS and Government thereby influencing their salaries. But in the NPSI and MNC's, educational level of the executives seems to be less significant in this respect (Table 3.26).

8.1.2 FRINGE BENEFITS

a) Executives are provided with a host of fringe benefits. In the NIS and Government, the kind and quantum of fringes available to executives are determined by the Government from time to time. The major benefits include leave with pay, house rent allowance, telephone at residence, medical facilities, transport or conveyance allowance, entertainment allowance, recreation allowance, gratuity, pension, family pension in case of death of the executives, festival bonus for nationalised industrial executives etc. Of course, the amount and the type of fringes depend on the executives' salaries and their placement in the NIS. The executives in the NPSI and MNC's also receive similar types of fringes. Some of the MNC's also provide certain special benefits like leave fare assistance, servants allowance and children's educational allowance. Further, few organisations in NPSI and MNC's are also providing free or subsidised lunch and tiffin facilities.
b) Fringe benefits both in industry and Government in Bangladesh have acquired considerable importance and these constitute, now-a-days, a major ingredient of the total compensation of executives and have burgeoned both in kind and quantum over the years. In the NIS, fringe benefits form a substantial part of the total pay packet and these vary from 52% to 68% of the total compensation paid to executives (Table 4.2). Further, higher the executives in the organisational ladder, the more the fringes. In another nationalised enterprise, fringe benefits as percentage of total compensation have increased in recent years compared to those immediately after liberation. Further, it is noticed that in case of executives, fringes form a relatively lesser percentage of total compensation compared to those of the staff and the workers employed therein. In both the NPSI and MNC's it has been observed that fringe benefit as percentage of total compensation of the executives vary from 50 to 67%. In one MNC, this percentage was about 44%. On the other hand, in the Government, executive fringes as percentage of total compensation vary from about 46 to 65 percent and like NIS fringes increase as an executive moves upward in the organisational hierarchy (Table 4.6).

c) There are considerable differences in the nature and quantum of benefits among different constituent organisations which have been reported as sources of dissatisfaction of the executives. Among the five corporations managing the NIS, executives of the same rank and grade do not receive benefits in an uniform manner. In the NPSI, fringes to executives are dependent on the policy of the individual enterprise and in the absence of any statutory regulation, these vary widely among
organisations. MNC's generally conduct annual compensation surveys which form the basis of fringes to be provided by them. But fringes for the executives in the MNC's especially those who are in the top and upper levels are exceptionally high compared to other sectors.

d) The increase in fringe benefits are partly a product of necessity and partly these have been taken recourse to provide executives certain tax advantages in the case of NPSI and MNC's. In the NIS and Government all remuneration of the executives are treated tax-paid.

8.1.3 INCENTIVES FOR EXECUTIVES

a) Incentives both financial and non-financial for the executives in industry and Government in Bangladesh are crucial since there is a dearth of executive talent in the country and it is imperative to keep this scarce human resources motivated to enhance production and productivity. Incentives provide industrial executives a sense of proprietorship which in turn may influence them to be more effective. Government executives should also be given incentives because their traditional role of maintaining law and order have changed to that of nation building which require an honest and devoted civil service.

b) The NIS provides group financial incentives in the form of bonus related to productivity, profit or sale of the enterprise and some individual incentives which include out of turn promotion, merit increase of pay and special awards and prizes on certain special occasions. Different corporations follow different method of calculating incentive bonus but total entitlement of bonus is the same in all corporations which is maximum of three month's basic pay. Incentive bonus is only payable to the executive of the enterprises. But the
executives of BJMC are not getting such bonus since it has been losing continuously.

c) In the NPSI, incentives in the form of bonus, merit salary increase, promotion, etc. are provided to the executives. The amount of bonus varies from 1½ to 4 month's basic salary in the various organisations. There are diverse practices. The practice also varies on individual basis. There are executives especially in the upper level in some enterprises who are receiving considerable amount as annual bonus which are kept confidential.

d) In the MNC's incentives include bonus, salary increase for good performance and promotion. Also the relatively higher levels of executive compensations act as important incentives for the executives in this sector. Normally 4 to 5 months' salaries are given as bonus to the executives. This bonus is not usually tied to any element of the operation of the enterprise and hence it cannot be truly termed as incentive bonus.

e) In the Government no direct financial incentives exist for the executives. However, accelerated promotion, posting in a foreign country, opportunities to attend meetings, seminars etc. held abroad are there which might have certain financial implications.

f) A number of non-financial incentives are also provided to the executives of the various sectors in Bangladesh. These include both factors which satisfy a man's inner needs and also certain symbol of status and prestige which help in getting recognition in the society. The upper level executives of the Government and industry are provided with car facilities, chamber facilities with air-cooler, carpet flooring, toilet facility etc. They are also provided with secretarial assistance.
All these are symbols of status in our society and probably go a long way in motivating executives. Mid-level and junior executives of the various sectors are also provided with certain facilities of that nature. All executives are allowed reasonable authority and power for decision-making commensurate with their position in the organizational hierarchy.

8.1.4 EXECUTIVES' PERCEPTIONS TOWARD DIFFERENT ELEMENTS OF COMPENSATION

a) Intra-sector perceptions of executives about their salary shows that only upper-level executives in the NPSI, Government and upper and mid-level executives of MNC's perceive their salaries equitable (Table 6.1). The 't' analysis between three categories of executives reveals significant differences in perceptions about salary between group 1 and 2 and group 1 and 3 in the NPSI and between all groups in the government. Regarding overall intra-sector perception of the executives of various sectors about salary significant variations only between NSP and NPSI and NPSI and Government are observed (Table 6.2).

b) Intra-sector perceptions about fringes show that only upper level executive of NPSI and the Government have a feeling of equity (Table 6.7). The 't' results demonstrate significant differences only between group 1 and 2 and group 1 and 3 in the NPSI. The overall intra-sector perceptions of the executives of different sectors about fringes show significant variations between NSP and MNC's, NPSI and Government and MNC's and Government at 1% level of significance (Table 6.3). Correlation analysis demonstrate significant positive association between executives' experience and their intra-sector perceptions.
of salary and fringes (both .47-87) in the NPSI and significant negative correlation between family size and their perceptions about fringes (-.4759) in the MNC's. These results lead to conclude that age, experience, education and family size have very negligible effect on intra-sector perception about salary and fringes.

c) Inter-sector perceptions of the executives about their salary and fringes show that executives in the NIS/Government perceive their salary and fringes as 'little lower' and 'much lower'in the Likert five point scale compared to those prevailing in the NPSI and MNC's respectively (Table 6.13). Executives of NPSI perceive their salary and fringes as 'little higher' and 'much lower' compared to those of the NIS/Government and MNC's respectively with certain exceptions (Table 6.18). But executives of the MNC's perceive their salary and fringes as 'much higher' and 'little higher' compared to those of the NIS/Government and NPSI respectively (Table 6.23). Significant positive correlations between age and perceptions of salary (.5313), age and perceptions of fringes (.5313), experience and perceptions of salary (.5619) and experience and perceptions of fringes (.5619) of the executives of NPSI compared to MNC's are observed. Again, significant positive correlations between age and perceptions of salary (.5298), age and perceptions of fringes (.4405), experience and perceptions of salary (.5406) and experience and perceptions of fringes (.5334) of the executives of MNC's compared to NPSI have been demonstrated.

d) All executives are dissatisfied with their present salary levels and expect their enhancement. Further, it is observed that while majority of the executives of the NIS and government expect
their salaries to be increased by more than 100%, the expectations of the executives of the KPSI and MNCs are little moderate (Table 6.28). Majority of the executives are not satisfied with their placement in the NNPS introduced by the Government. In the MIS, this dissatisfaction is more acute (Table 6.29). Important reasons for such dissatisfaction include: inadequacy of compensation despite ever rising cost of living, disregards for job duties and responsibilities, lack of importance attached to professional and technical qualification, etc. (Table 6.30).

e) Most of the upper level executives of all sectors excepting MIS and mid-level executives of MNC's and Government perceive their status as 'high' in the society. But majority of the upper level executives of the MIS and mid-level and junior executives of other sectors perceive their status as 'moderate'. On the contrary, a have perceptions of low social status (Table 6.31). Executives considerable number of executives irrespective of their level and sector of employment perceive the role of status and prestige as an effective stimulant to work hard (Table 6.32).

f) Executives of all levels in the MIS are found 'unsatisfied' with their present salary and allowances, fringe benefits and non-financial benefits and 'to some extent satisfied' about job security with the exception of upper-level executives who are almost 'unsatisfied' with job security (Table 6.33). The 't' results demonstrate no significant variation in the satisfaction of needs between different level of executives. In the NPSI upper-level executives are 'to some extent satisfied' with present salary and fringes but mid and junior executives are 'unsatisfied' with salary and 'not at all satisfied' with fringes. With non-financial benefits and job security upper level
executives are 'very much satisfied' and mid-level and junior executives are 'to some extent satisfied' (Table 6.34). The 't' results show significant variations between group 1 and 2 and group 1 and 3 in respect of present salary and non-financial benefits, between all groups for fringe benefits and between group 1 and 3 about job security. In the MNC's upper and mid-level executives are 'satisfied' and junior executives are 'to some extent satisfied' with all elements of needs (Table 6.35). The 't' results show no significant variations in satisfaction between different groups of executives. In the Government, all categories of executives are 'not at all satisfied' with their present salary and allowances and fringe benefits but with non-financial benefits and job security they are 'to some extent satisfied' or 'satisfied' excepting upper level executives who are 'not at all satisfied' with their job security (Table 6.36). The 't' results reveal significant variations in satisfaction between group 1 and 3 with present salary and allowance and between group 1 and 2 and group 1 and 3 with job security.

g) The 't' analysis about satisfaction of the executives of various sectors with different elements of needs reveal significant variations regarding (i) salary and allowances between NIS and MNC's, NPSI and MNC's and MNC's and Government at 0.01 level (Table 6.37); (ii) fringe benefits between NPSI and Government, and MNC's and Government at 0.01 level and between NIS and NPSI, NIS and MNC's and NIS and Government at 0.05 level (Table 6.38); and (iii) job security between all the sectors at 0.01 level (Table 6.40).

h) In the NIS family size of the executives and their satisfaction with non-financial benefits have significant positive
correlations (.2716). In the NPSI significant positive correlations are observed between age and satisfaction with fringe benefits (.4554) and between experience and satisfaction with present salary (.4916) and between experience and satisfaction with fringe benefits (.5038), while in the MNC's no significant correlations exist. Significant negative correlations between age and satisfaction with present salary and allowances (-.3195), experience and satisfaction with present salary and fringe benefits (both -.3219), and education and job security (-.3287) and significant positive correlations between age and satisfaction with non-financial benefits (.4597), between experience and non-financial benefits (.6120), between family size and satisfaction with non-financial benefits (.3848) have been observed, in the Government.

i) Vast majority of the executives irrespective of their level and sector of employment favour performance/efficiency to be the principal basis for promotion to higher positions (Table 6.41).

j) Sector-wise analysis of the ranking of different job factors by the executives shows that highest percentage of them in the NPSI give first rank to 'job security', second and third to 'handsome salary and fringes'. In the NPSI majority of the executives rank both 'job security' and 'challenging/creative job' as the first and 'handsome salary and fringe benefits' as the second and third important job factors. Highest number of executives give first priority to 'working condition' and second and third 'to handsome salaries and fringe benefits' in the MNC's. But in the Government highest percentage of executives give first rank both to 'job security' and 'handsome salary and fringes', second and third also to 'handsome
salary and fringe benefits' (Table 6.42). Ranking of job factors from the viewpoint of the executive level also reveals similar results with the exception that most of the upper level executives give first and third preference to 'creative/challenging job' (Table 6.43). This analysis demonstrates the importance of salary and benefit as a motivator. Executives of all level and of different sectors rank 'better pay and fringe benefits' as the most important factor in deciding job change (Table 6.44 and 6.45) which is almost in total congruence with the findings regarding ranking of job factors by the executives.

k) All executives of various sectors perceive granting special increments of pay to outstanding performer as 'desirable' and 'very much desirable' (Table 6.46).

8.1.5 SALARY ADMINISTRATION IN INDUSTRY AND GOVERNMENT IN BANGLADESH

a) Salary administration in the MIS is guided by the rules and regulations of the Government. The salary budgets of the corporations are prepared by their budget divisions which are subject to approval of the Ministry of Finance of the Government. But the budgets of the individual enterprises under different sector corporations are prepared by the enterprises themselves and these are approved by their respective B/D.

b) In the MIS, there is provision of allowing merit increases of pay to a specified number of employees of each pay-scale. Such merit increases are recommended by the departmental heads and approved by the B/D of the sector corporations. The overall compensation structure may be reviewed either by the Ministry of Finance of the Government by
its executive order or by constituting Pay Commission by the Government for the purpose.

c) Personnel Divisions of the corporations are responsible for coordinating the entire salary administration system and deciding upon the cases of employee grievances in connection with executive compensation. Ministry of Finance may also be consulted in case of need. The Personnel and Finance and Accounts Departments control salary costs and monthly reviews are conducted for the same.

d) In the NPSI, salary administration procedures vary from one enterprise to another. The salary review budgets and guidelines for different categories of executives are recommended by the M.D. or E.D. or by departmental heads and are approved by the B/D of the enterprise. In case of top executives remuneration these are both recommended and approved by the B/D; they also require the approval of the Controller of Capital Issues, an affiliated organisation of the Ministry of Finance of the Government. In some enterprises, M.D. or E.D. also approve the salary review budgets and guidelines. In this particular sector, since most of the enterprises do not have Personnel Departments, Accounts and Finance Departments coordinate the entire salary administration process and also take the responsibility of controlling costs against the budgets. The chief executive plays an important role in this respect.

e) In the MNC's salary budgets are prepared by the Finance and Accounts Departments which are in close touch with the Personnel Division in this regard. The salary review of the top executives are both recommended and approved by the B/D and the Controller of Capital Issues. For upper-level executives review of salary and
other benefits are recommended by the M.D. and approved by the Chairman of the B/D. In case of mid-level and junior executives these are recommended by departmental heads and approved by the M.D. In the MHC's the Finance Manager with his Management Accounting Section coordinates the executive compensation administration process and also controls salary cost in accordance with budgets. The role of chief executive of the enterprise is important in the whole process.

f) The present organisation for salary administration in the Government has been suffering from duality and there is also lack of direction resulting in examination of cases at more than one place, unnecessary references and wastage of time and manpower. Both the Establishment Division under the Ministry of Cabinet Affairs and the Regulation and the Implementation Sections of the Ministry of Finance are the responsible organs of the Government dealing with compensation issues.

g) Salary budgets are prepared by the Budget Division of the Ministry of Finance which needs approval of the Parliament and in its absence, of the President. The Ministry of Finance makes periodic review to keep the expenses within the budget estimate. Salary review is done by the Ministry of Finance or by constituting a Pay Commission from time to time. All grievances regarding compensation issue are decided upon by the Establishment Division and the Ministry of Finance.

8.2 SUGGESTIONS

In the light of the findings, a number of measures may be suggested for a complete overhauling and revamping the executive
compensation pattern. Appropriate actions are required both at Governmental level and organisational level. Further an effort has also been made to identify the virgin grounds where research may be carried with advantage.

8.2.1 ACTION REQUIRED AT GOVERNMENTAL LEVEL

I. COMPENSATION CONTROL MECHANISM SHOULD BE INTRODUCED

Government at national level should have mechanism to properly control the compensation of the executives especially in the NPSI and MNC's. It has been observed that the compensation levels of the different categories of executives in the MNC's and upper-level executives in the NPSI are much higher than those prevailing in the NIS and Government. This is creating lot of resentment among executives of other sectors. It is also in contradiction with the country's commitment of setting up an egalitarian society. Further, the general public, majority of whom are living a sub-human existence is not in a position to stomach the high salaries disbursed to a selected group of executives. Hence, to impart logic and rationality to compensation of executives in different sectors Government should come forward with measures of controlling remuneration in the private sector and fix the upper limit of executive compensation. This might be beneficial for the whole economy.

II. SECRECY IN REMUNERATION PRACTICES SHOULD BE ABOLISHED BY SUITABLE LEGAL PROVISIONS

Secrecy in compensation in the MNC's and NPSI should be abolished by introducing suitable legislation, if necessary. Secrecy in the compensation practices ushers in a sense of suspicion and distrust among the employees which probably is not very conducive to
the engendering of high motivation and morale. This is particularly true in case of the junior and mid-level executives of these enterprises as was manifested by their feelings that upper level executives might have certain secret arrangement in respect of compensation. So if morale of the executives in general and the juniors in particular is intended to be boosted to have a salutary impact on the organisational milieu, the compensation practices should be made public. The annual reports of the companies should disclose the detail information about salary and fringes paid to their executives.

III. CONSTITUTING FUTURE PAY COMMISSION WITH MEMBERS FROM DIFFERENT SEGMENTS OF THE ECONOMY

While constituting Pay Commission in the future, Government should give proper representation to all segments of the economy particularly the labour and the private sector; in the previous commissions no member was there to represent them. This will go a long way in bringing about uniformity in salary structure of the employees of different sectors and categories of employees and thus making the recommendations of the Pay Commission more acceptable to both the employees and the society at large.

IV. CREATION OF A SEPARATE MINISTRY

Salary administration in Bangladesh, at present, is so cumbersome and confusing that unless properly organised and located, it will be nearly impossible to apply uniform standards and principles for the public sector employees. A separate Ministry to be called the "Ministry of Personnel and Salary Administration" should be created for proper personnel management and salary administration as per recommendation of the Pay Commission, 1973. This Ministry may be
entrusted with undertaking detailed research on various aspects of salary administration and also suggesting measures for bringing about inter-sector comparability of pay and benefits. It may also initiate legislation for developing and controlling the compensation system suiting the ingenuity and environment of our country.

V. GOVERNMENT MEASURE FOR SOLVING HOUSING PROBLEM

It has been observed that the present house-rent ceilings provided by the Government and other private enterprises constitute a major portion of the total compensation paid to the executives. In Bangladesh, particularly in big cities, there is a tremendous shortage of residential houses. In order to solve this problem, Government should encourage and provide necessary incentives to the Private and Cooperative Housing Societies to take up construction of low cost housing. The House Building Finance Corporation should also continue granting loans to employees to construct their own houses. Further, the Government should issue orders precluding employees in the public sector, who have house in their own name or in the name of their dependents from Government accommodation.

8.2.2 ACTIONS REQUIRED AT ORGANISATIONAL LEVEL

I. PROPER JOB ANALYSIS AND EVALUATION

There remains a feeling of intra-organisational inequity if the remunerations of the executives are not based on proper job analysis and evaluation. The analysis of perceptions of the executives regarding their salary and fringes within the sectors reveal considerable dissatisfaction among different categories of executives in this regard. Every organisation should undertake proper analysis and
evaluations of the existing jobs and should base the compensation of each job on such evaluation. It will help in avoiding dissatisfaction among executives to a considerable extent.

II. GIVING DUE IMPORTANCE TO COST OF LIVING

Every organisation should give due importance to cost of living factor in determining the salary levels of the executives. There should be provision for increases in compensation with every increase in the cost of living. It has been noticed that only in the MNC's salary levels of the executives have behaved reasonably with the rise in cost of living. But in other sectors specially in the NIS and Government the salary structures have not kept pace with the sky-rocketting inflation in the economy. This has forced many executives to live a sub-standard life with the resultant demoralising effect. Executives should be assured of a reasonable standard of living for proper motivation and effective performance.

III. MAKING EXISTING SALARY DIFFERENTIALS REASONABLE

Salary differentials between different level of executives should be reasonable enough to be motivating. To small a differential has a dampening effect on the formation of necessary skills while too large a differential may not be justified in view of the Bangladesh's commitment to establish an egalitarian order of the society. It has been found in the study that in the Government and NIS salary differentials between different grades of executives are so small that they hardly provide any incentive. On the other hand, in the NFSI and MNC's the differentials in salary of different categories of executives
are so large that they seem to be unjustified. Hence the need for reasonable differentials in the salary levels between various categories of executives.

IV. EFFECTIVE DESIGNING OF FRINGE BENEFITS

Fringe benefit programmes should be designed with utmost care. Blind imitation of fringes provided by other organisations in the vicinity or industry may only increase the cost of the enterprise without having any salutary impact on the productivity of the employees. The benefit designer should consider employee relations, company policies and plans, employee preferences and similar matters. It is also important that the designer is thoroughly familiar with the overall benefit situation, including typical coverages, current trends in benefits, and new developments that appear imminent. Finally, during the planning stage, the designer should obtain cost estimates in order to compare the relative value of the alternative plans and to estimate their impact on profits. Fringe benefits plan like any other element of a compensation package should be designed to fit the needs of the organisation and its employees.

V. INTRODUCTION OF CAFETERIA PLAN ON AN EXPERIMENTAL BASIS

Cafeteria plan for the executives may be introduced on an experimental basis. According to this plan, executives are provided with the opportunity of choosing from among a number of benefits. In the initial stage this should be introduced for a particular level of executives and its workability and motivational impact should be closely watched. If the experience is satisfactory, this may then be gradually extended to other levels of executives in the organisation.
VI. DESIGNING AND DEVELOPING AN OBJECTIVE INCENTIVE BONUS SCHEME

Incentive bonus in the productive organisation should be designed in an objective manner so that it is not restrictive, i.e., if the employees can achieve more production or profit, they should receive more in the form of incentive bonus. If the employees by putting more effort can earn more, there is nothing wrong in sharing the enhanced gain with them. In the NPSI and the MNC's bonus in large amounts are paid to the executives which have no connection with any element of the operation of the enterprise. This situation should be reviewed. In order to have an incentive value, such bonuses should be linked with the operational elements of these enterprises. Again, both carrot and stick should be there for motivation of the executives. Penal provision for failure of the executives to achieve predetermined target of production or profit should also be there.

VII. PROVIDING FESTIVAL BONUS FOR GOVERNMENT EXECUTIVES

Since Government is a non-profit organisation, incentive bonus payment is not justified and feasible. But Government executives may be provided with some form of relief either to be called as 'festival bonus' or 'thirteen-months pay' to be paid on the eve of major religious festival like Eid or Durga Puja, as the case may be. It may be mentioned in this connection that in many countries of the world such payments are made to the employees of non-profit organisations.
VIII. DUE EMPHASIS TO NON-FINANCIAL INCENTIVES

In designing compensation structure for the executives the role of non-financial incentives like status, prestige, power, etc. should attract due attention because executives perceive these elements as effective motivator. A considerable number of executives have also very poor perceptions of their status and prestige in the society. Every organisation should take measures and devise methods for strengthening the non-financial aspects of the job. This is particularly important for a poor country like Bangladesh which can hardly be expected to compensate executives financially. The executives should feel pride in devoting their fortunes with the country's fortune. A feeling in them needs to be inculcated that they are the trustees for the enterprise.

IX. PERFORMANCE ORIENTED PROMOTION SYSTEM

The present promotion system of the executives especially in the NIS and Government giving more weightage to seniority should be reviewed. Vast majority of the executives of different levels and various sectors have given their opinion in favour of performance/efficiency to be considered as the principal basis for promoting executives to higher position. So in the light of this finding, more emphasis should be given to the quality of performance of the executives.

X. IMPROVING THE EXECUTIVE PERFORMANCE APPRAISAL SYSTEM AND LINKING IT WITH COMPENSATION

The existing appraisal system for the executives in different sectors is traditional in nature and plagued with several limitations like absence of objective measurable standard against
which performance may be evaluated, favouritism and nepotism, absence of a system of proper feedback, absence of reward and penalty associated with performance appraisal result, untrained appraising officers, etc. The performance appraisal system are linked with executive compensation in a very limited manner in the form of allowing merit increase of pay, promotion, salary adjustments, etc. in some organisations. In this regard the situation in the MNC's is probably the best and public sector the worst. However, management by objectives which is the very essence of effective performance appraisal exists nowhere.

For improving the performance appraisal system in the various sectors and to link it with the reward system of the executives, MBO with its quantitative and verifiable goals should be introduced. Performance appraisal against this quantitative goals may provide effective inputs for sound salary administration.

XI. SECURING JOBS AND CREATING AN ENVIRONMENT OF TOLERANCE

Every organisation should ensure reasonable job security of the executives. It has been observed that some executives of the NIS and Government have a feeling of insecurity which affects their morale. This is also true for some NPSI and MNC's. For organisation's benefit, this needs to be avoided.

Further, in Bangladesh, an environment of intolerance prevails. Nobody is in the mood of accepting even the genuine mistakes and executives are reluctant to exercise their decision-making powers for fears of criticism and punishment. Such an environment is not conducive to initiative and innovation. However, constructive criticisms should be encouraged.
XII. CLARITY OF AUTHORITY AND RESPONSIBILITY FOR SALARY ADMINISTRATION

Authority and responsibility for salary administration should be more clearly defined so as to avoid confusion and duality in the procedure. This is particularly true in case of NIS and Government where duality in the salary administration procedure creates a lot of confusion and it also increases unnecessary paperwork, wastage of time and manpower resources, etc. All these need to be eradicated for smooth functioning of the entire system, and every organisation should give proper attention to this aspect.

8.3 RECOMMENDATIONS FOR FURTHER RESEARCH

I. Documentation of existing practices pertaining to executive compensation policies in the different sectors of the economy should be made and there should be exchange of such data among different enterprises.

II. Conducting of research and case studies should be undertaken in selected enterprises to gain an insight into the decision making processes and actual operation of executive remuneration system.

III. A comparative study of the more successful and the less successful enterprises should be undertaken within each sector to identify the special ingredients which contributed toward the success of these enterprises and further to what extent the success is attributable to the remuneration policies and practices.
IV. One of the important areas to be investigated is the study of motivation in the sectors under this study and how it can contribute to greater efficiency.

V. Studies in selected sectors may be conducted about the effectiveness of various approaches used to reconcile centralised control with flexibility at the local level in applying compensation policies.

VI. The present study has not researched the relationships between size of the enterprise, total assets, profitability, total turnover, etc. and the executive compensation for lack of information in these regards, though some inferences have been made from available data. Studies focusing on such issues need to be carried out.