

Compensation Practices in Bangladesh Theoretical Perspective

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***Abstract:** Compensation is one of the most important human resource management (HRM) functions which can help to reinforce the organization's culture and values and to facilitate the achievement of its strategic business objectives. It is a systematic approach to endow with financial value to the employee in exchange of jobs they perform targeting to achieve some organizational goals and objectives. It is also connected with some purposes relating to recruitment, job performance, and job satisfaction. It serves as a tool for the management for various purposes of the organization including its existence in the global competitive market. This is not only for the private sectors but also for public sectors. Compensation can be used to recruit qualified employees, increase level of individual satisfaction, encourages high performance, attain internal and external equity, reduce turnover, practice employee welfare schemes etc. Considering these benefits of compensation every organization sets some plans in order to achieve its goals and objectives. This articles attempts to analyze different theoretical dimensions of compensation practices in public and private sectors of Bangladesh.*

1.0 Introduction

There are a good number of jobs to be performed in both Public and Private organizations regarding making decisions in line with the organizational goals and objectives.¹ All this jobs must be filled in by the qualified, effectives and efficient employees, upon whom the organization can survive and to achieve the objectives or goals. In the modern era the concept of Human Resource Management (HRM) in organization is over emphasized, the successes or failure of organization depends on how HRM practices are used in organization. Organization, public or private deals with Human Resources (HR) and Material

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¹ James, E.C. 1979. How to Compensate Executives. Third Edition, Don Jones-irwin, Homewood, Illinois, USA.

Resources (MR). Effective HR can utilize the MR in efficient manner to make the organization a success. But employee productivity is a composite of wage and effort bargain, which motivation theories indicate. Organizational goal to be achieved by, supported with individual incentives.² Meaning thereby, the degree of effort and contribution is given by the employee, employer should compensate them in monetary and as well non monetary form.

2.0 Human Resource Management

Compensation is an important component of HRM function. Before discussing compensation in details it is better to describe HRM in brief to have clear idea on the said topic. Enormous definition has been found in different writers of HRM. According to Fisher, Human Resource Management (HRM) involves all management decisions and practices that directly affect or influence the people, or human resources, who work for the organization.³ Fisher also noted his book, that increased attention has been devoted to how organizations manage human resources. On the other hand, HRM is on managing people within the employer-employee relationship. Specifically, it involves the productive use of people in achieving the organization's strategic business objectives and the satisfaction of individual employee needs.⁴ In the people centric organization HRM concept is widely practiced in both public and private organization. HRM is a major contributor to the success of an enterprise because it is key position 'to affect customer, business results and ultimately shareholder value'.⁵

2.1 HRM function

HRM starts with the recruitment and selection of new employees to the government by following structured format and then develops them for providing them some skill-based training. After getting training new employees are placed in the right position where they fit. While they are doing their jobs their performance is evaluated and management for their career plan, good compensation. For the betterment of the organization

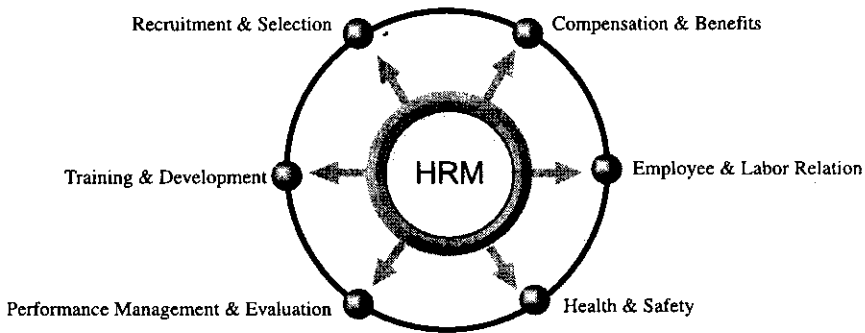
² Dennis M.D. 2002. Strategic Human Resource Management, Prentice Hall, Upper Saddle River, New Jersey, USA.

³ Fisher S.S. 1993. Human Resource Management, Second Edition, Houghton Mifflin.

⁴ Raymond, J.S.2002. Human Resource Management, Fourth Edition, John Wiley & Sons, Australia.

⁵ Raymond, J.S.2002. Human Resource Management, Fourth Edition, John Wiley & Sons, Australia.

and achievement of strategic goals and objectives, there must be a health and safety programme for employees which is one of the most important component of modern HRM. This function is also linked with employee and labor relation. Finally compensation and benefits of the employee is the most dominant function of HRM that connects to every component of HRM. All these are interrelated and interconnected functions.



Source: Keth Davis, Human Resource Management.

www.ferrum.edu/fangel/hrm/COMPENSA

2.1.1 Recruitment and Selection

The process of attracting individuals on a timely basis, in sufficient numbers and with appropriate qualification, and encouraging them to apply for jobs with an organization. In public sector management procure personnel from internal and external sources.

Selection is the process of choosing from a group of applicants those individuals best suited for a particular position. For the public sector management, Bangladesh has an autonomous recruitment agency called "Bangladesh Public Service Commission". This body, as per vacant post of estimated by the Ministry of Establishment, arranges the recruitment process.

The number of entrants to the Bangladesh civil service has been increasing each year although there may not be a demand for new personnel. In 1972 just after the independence in 1971, there were fewer than 11,000 officers in the civil service, twenty years later it had increased to nearly 79,000.⁶ Graduates are entrants to the civil service by a competitive examination with a rigorous evaluation, both in written and

⁶ <http://www.indiana.edu/~csrc/zafar2.html>

verbal. But the employment scenario is that the graduates each year surpasses the number of jobs available in either the public or private sector. For instance, in 1995, nearly 4000 graduated with master's degree from the University of Dhaka alone, but less than half could manage a decent job. Over 65,500 applicants, graduating from the nine public universities in the country, vied for only 1,475 entry-level positions in the civil service in 1995.⁷

Table 1 : Size of the National Civil Service (1992 Figures)

Class	Min/Div	Dept/Dte	SB	Total
I (BCS)	1,875	32,922	43,888	78,685
II	51	10,741	26,066	36,858
III	4,132	442,859	132,851	579,842
IV	2,343	162,819	86,202	251,364
Total	8,401	649,341	289,007	946,749

Source: MoE, Statistics of Civil Officers, 1992.

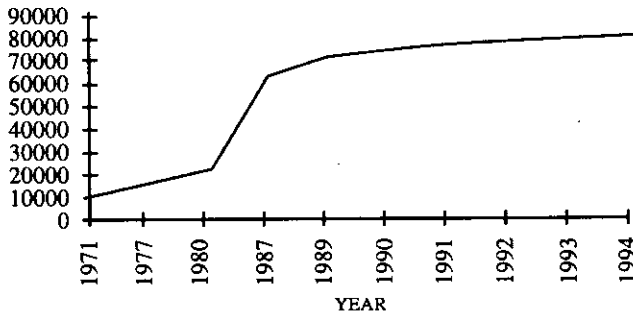


Figure 2 : Growth of the Bangladesh Civil Service

Source: Establishment Division, Statistics on Civil Employees, 1975, 1977, 1980, 1987, Statistics of Civil Officers and Employees, 1988; Statistics of Civil Officers and Staff, 1989, 1991, 1992, PSC 1994, 1995.

2.1.2 Compensation and Benefit

Compensation is one of the most important HRM functions which can help to reinforce the organization's culture and values and to facilitate the achievement of its strategic business objectives.⁸ It is a tool for reinforce for the employee to achieve desired result for the organization. It can also be defined as a motivating tool for high level of job performance and enhancing organizational effectiveness.

⁷ <http://www.indiana.edu/~csrc/zafar2.html>

⁸ Raymond, J.S.2002. Human Resource Management, Fourth Edition, John Wiley & Sons, Australia.

All financial rewards those generally are not paid directly to the employee are called benefits.⁹ In the public sector management public policy plays a role in determining what benefits an employee receives.¹⁰ Employee benefit system prevailing in pure government organizations, semi-government, and non-government organization, are quite different specially in Bangladesh. Many of the problems of Bangladesh's bureaucracy can be linked with poor pay - the result of a persistent erosion and compression of salaries. From time to time, the Government has adjusted compensation - by setting up National Pay Service Commissions at five to eight year intervals. In 1985, for instance, a Pay Commission almost doubled the basic pay, and in 1991 it increased it by about 1.7 times, and there has also been a number of increases in 'dearness' allowances. However, it is clear that government salaries, at management and policy levels, have fallen far out of line with those in the private sector. The salary compensation structure does not allow for differences in professional skills, educational level, or the nature of the job. Hence, doctors, engineers, or revenue officers entering Class-I positions receive the same salary.¹¹ In 2005 the new pay scale was announced under the 6th pay commission where 20 pay grades with Taka 23,000 at the highest and Taka 2,400 at the lowest per month in terms of basic pay. Correspondence to 5th pay commission in 1997 it was Taka 15000 and Taka 1500.¹²

2.1.3 Employee and labor relation

Human Resource Management is involved with efforts to improve productivity through employee and labor relation. Organizational effectiveness also depends on enthusiasm of employees by providing employees with a good quality of work life (QWL). QWL means having good supervision, good working conditions, first-class pay and benefits, and an interesting, challenging and rewarding job.¹³

⁹ Monday R., Noe M.1993. Human Resource Management, Fifth Edition, Allyn and Bacon, USA.

¹⁰ John M. I.2001. Human Resource Management, Eight Edition, McGraw-Hill, Irwin, New York.

¹¹ Source: World Bank - Government that Works: Reforming the Public Sector (1996) (edited)

¹² The Bangladesh Observer, Tuesday, May17, 2005.

¹³ Keith Davis.W.B.1993. Human Resources and Personnel Management, Fourth Edition, McGraw-Hill, New York.

2.14 Health and safety

Health and safety programs reflect the organization's strategic concern for employee productivity and quality of work life. These programs promoting employee commitment, company image, reduces cost and increases productivity. Poor occupational health and safety (OHS) performance equates to poor human resource management, and poor ethical, legal and social responsibility.¹⁴ Government should introduce legislation covering occupational health and safety.

2.1.5 Performance Management and Evaluation

In general performance management is a formal system that provides a periodic review and evaluation of an individual's job performance. Storey and Sisson define performance management as 'an interlocking set of policies and practices which have as their focus the enhanced achievement of organizational objectives through a concentration on individual performance.'¹⁵ By evaluating past performance of employee future prediction may be helpful of job applicants. Nevertheless, evaluation of employee performance salary may determine promotion and other benefit of employees.

2.1.6 Training and Development (T&D)

Most important function of HRM is developing human resources of an organization by providing comprehensive training and education programme regarding jobs. It is the tool for understanding and developing skill, information of the organization and its goals for the employee. On the other way T&D is designed to help a person to make one's positive contributions in good performance. Training helps employee to make their work done in better way where, development prepares individuals for the future. It focuses on learning and personal development.¹⁶

3.0 Compensation

By definition, 'compensation is what employees receive in exchange for their contribution to the organization.'¹⁷ Compensation helps organization

¹⁴ Raymond, J.S.2002. Human Resource Management, Fourth Edition, John Wiley & Sons, Australia. P.642.

¹⁵ Raymond, J.S.2002. Human Resource Management, Fourth Edition, John Wiley & Sons, Australia. P.265

¹⁶ John M. I.2001. Human Resource Management, Eight Edition, McGraw-Hill, Irwin, New York.p.380.

¹⁷ Keith Davis.W.B.1993, Human Resources and Personnel Management, Fourth Edition, McGraw-Hill, New York.p.412.

retaining current employee, attracting new employee, increasing productivity and reducing cost and turnover rate. Strategic compensation links with pay and benefit that attracting, retaining and motivating employees.¹⁸ It is clear to everyone that how important individual contribution in organization to success. So attracting those individuals and keeping them is the foremost issue in creating a successful organization. That is why adequate compensation is an important factor to attract individuals.

A difference prevails in public and private sector, regarding job compensation. Although public sector pay has often lagged behind comparing to private sector, but its benefits have compensated for that in its ability to attract and retain employees. For instance in Bangladesh Government service is more secured than private job. Though there is an inequity in pay structure and pay policy.

In the competitive age, researchers have shown that in public sector intrinsic motivation is given emphasis than extrinsic reward. While an extrinsic reward, pay is also an intrinsic item. In pay-for-performance systems, pay is an indicator of accomplishment. Most public sector pay policies are based on a principle of uniformity. But it is also duty to bust up private organization as an indicator of economic growth. That needs to have fair pay structure, pay scale system, equity in administration and flexibility.¹⁹ In the competitive business era, private organizations pay for performance that rewards employees on the basis of their performance. Reward might be in different form, reward or compensation is necessary for life or employee for both public and private organization. Compensation, reward or pay what ever called it is, essential for own and family's needs. According to Maslow's Need Hierarchy theory needs are different at different stages. It is mentioned that money is a powerful source of motivation. According to Herzberg's two-factor motivation theory, employee can motivate by financial and non-financial way. In the next page a figure has been shown of different types of compensation. These are some aspects of job satisfaction, which lead to positive employment relationships and high level of individual performance.²⁰

¹⁸ Dennis M.D. 2002. Strategic Human Resource Management, Prentice Hall, Upper Saddle River, New Jersey, USA.

¹⁹ Dennis M.D. 2002. Strategic Human Resource Management, Prentice Hall, Upper Saddle River, New Jersey, USA

²⁰ Schermerhorn J.*et.al.*, 2005, Organizational Behavior, Ninth Edition, Wiley, USA.

3.1 Objectives for effective compensation

As described earlier, now objectives of compensation may be summarized according to following points:

- To acquire qualified personnel-for attracting qualified employee compensation needs to be high. Pay levels must be determined by labor supply and demand.
- To retain present employee-employee may quit when compensation levels are not competitive, that result is high turnover.
- To ensure equity-equity in terms of internal and external. Internal equity requires that pay be related to the relative worth of jobs that ensure similar jobs get similar pay. External equity means paying workers that comparable to the other firms.
- To create society value-governments must pay their employees a living wage, as this is something our society value.
- To comply with legal regulation-a sound wage and salary considers the legal challenges imposed by government and ensures the employer's compliance.

3.2 Types of Compensation

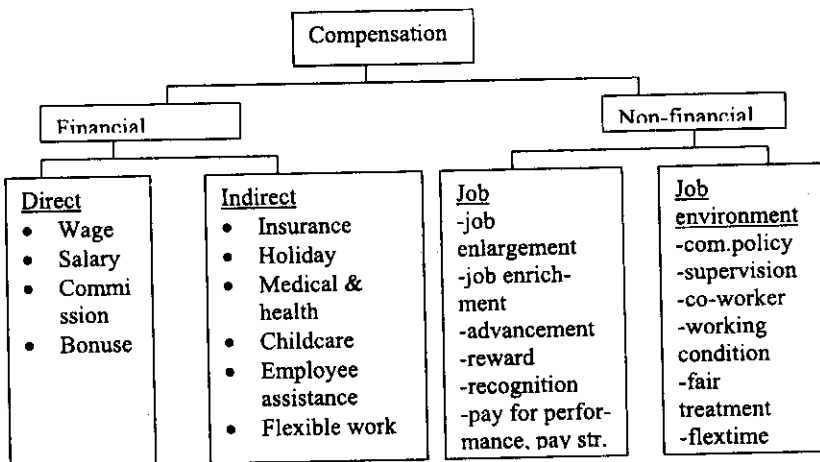


Fig:3 Types of compensation

Source: Raymond J. Stone, Human Resource Management, Fourth Edition, 2002.
www.ferrum.edu/fangel/hrm/COMPENSA

3.2.1 Financial Compensation (Direct)

Salary, wage, commission and bonuses

All these are remuneration by the employer to the employees. Employees are getting this kind of remuneration by contributing their effort. In public sector organization salary structure is designed by the Pay Commission. Salary and wages is given to employee by checking in public sector organization. Naturally, salary is for the white color employee, and wages are for the blue color employees. Wages means, 'payment for labor or services to a worker, especially remuneration on an hourly, daily, or weekly basis or by the piece.'¹¹ Culture of commission is exercised in private sector organization, it seems that employee should do more than expectation. Especially in Bangladesh all kind of product promotion Company are offer commission for the employee. In the management term, it might be called as performance pay or motivate employee to do more work that carries incentives. Another monetary remuneration is called bonuses, to some extent it has been found in all sector. In Bangladesh public sector organizations festival bonuses have been introduced since 1990s. So, every employee of public sector receives two festival bonuses in a year in order to celebrate religious festivals.

3.2.2 Financial Compensation (Indirect)

Insurance

Insurance can disperse the financial risks encountered by employees and their families. Employees feel motivated and encouraged to work and get mental strength for the assurance of any unspent cost to be compensated occurred in future due to accident for oneself and one's family members. Insurance are like this, health related insurance, Dental insurance, mental insurance, disability insurance, life insurance.

Childcare

Childcare is fast becoming an important benefit for employee and employer. In public sector organization, mother having a child, no special arrange for her. But thing has been changing, in the ministry there is childcare centre. As per factory rule there should be a child care centre in every factory. However this is rarely seen that factories are maintaining this. Though public sector organizations have the maternity benefit for

¹¹ <http://www.answers.com/topic/wage>

the mother, on the other hand private sector organizations have no hard and fast rule for maternal benefit. If the organization has the scope for childcare facility, organization would be immensely benefited from the employee's performance.

Paid Holiday

Government sector organization has fixed holidays like May Day, Christmas day, National Independence Day, Language day and so on. For example Bangladesh has 13 holidays in a year, apart from these, every government employee can take 20 casual days with pay. The reason might be illness or any other special important ground with the prior approval from the top management. However there is no scope of getting any sorts of financial benefit if any employee works on holidays. This is to some extent different in private organizations where employees can avail this opportunities as overtime payment.

United Kingdom grants 'working holiday' to workers that pay employees to visit vendor as a bonus for long service. Other company provides contingent time off in the form of paid 'holidays' to workers who meet productivity or other goal.²²

Flexitime

Flexitime abolishes rigid starting and ending times for the workday. Instead, employees are allowed to report to work and end work at any time during a range of hours each day. For example, starting time may be 7 am to 9 am., all employees expected to work the core hours of 9 am. to 3 pm. 40 hours each week.²³ So it is practice of permitting employees to choose, with certain limitations, their own working hours is referred to as flexitime.

Employee Assistance Programs (EAP)

Employee assistance programs treat the individual. Individual problem does affect organizational performance at work. Thus, organization takes part action helping employees to solve their problems through job training or organizational socialization.

²² Keith Davis.W.B.1993, Human Resources and Personnel Management, Fourth Edition,McGraw-Hill, New York.p.479.

²³ Keith Davis.W.B.1993, Human Resources and Personnel Management, Fourth Edition,McGraw-Hill, New York.p.480.

3.2.3 Non-Financial Compensation

Job enlargement

It's a job design approach that has been created to add variety of tasks performed. Job enlargement increases task variety by combining one job two or more tasks. It is the horizontal expansion of individual responsibility.²⁴

Job enrichment

Job enrichment refers to basic changes in the content and level of responsibility of a job that provides greater challenges to the employee. In Herzberg's model, job enrichment is the practice of enhancing job content that means the vertical loading of job depth. This job design strategy gives workers more responsibility for planning and evaluating their duties.

Pay for performance

Performance based compensation 'is to develop a productive, efficient, effective organization that enhances employee motivation and performance.'²⁵ Public sector organization has pay grade and pay policy, according to pay grade or salary structure employee get their benefits. Performance based pay is very much ignored. But it is practised in private organization. Private organization does employee evaluation in periodic basis; on the basis of employee evaluation or employee performance management determine salary, bonus or any other financial or not financial benefit.

Many employees have mistrust on pay for performance because of its having no a significant scale how much and at what point merit or performance should be increased. But in the competitive pressures there is a demand in the organization for organizational performance or effectiveness. Precisely it is a motivational tool for effective organization. HR manager could practice it to influence employee's perception of pay.

Pay-for-performance requirement²⁶

To establish an effective pay-for-performance plan, HR managers need to ensure some issues which are:

²⁴ Schermerhorn J. *et al.*, 2005. Organizational Behavior, Ninth Edition, Wiley, USA.

²⁵ Raymond, J.S.2002. Human Resource Management, Fourth Edition, John Wiley & Sons, Australia. p 450;

²⁶ Raymond, J.S.2002. Human Resource Management, Fourth Edition, John Wiley & Sons, Australia.

- To create a link with reward and performance
- To provide fair and equitable compensation and EEO
- To match with organizational business strategic objectives and culture
- To involve high level of communication and employee participation
- To evaluate employee performance with unbiased way
- To train manager to measuring performance and maintaining administration

Advantages²⁷

The advantages of pay for performance are as follows:

- It motivates
- It communicate the right messages of an employee
- It is fair to reward people according to their performance
- It encourages the employee.

Disadvantages

The disadvantages of pay-for-performance are as follows:

- It is not a guaranteed motivator
- To some extent it is difficult to measure performance
- Team suffer, if there is undue favor of individual
- It is not cost effective
- Rater might be biases, might not be well trained in employee performance rating.

Pay/Salary structure

Salaries are determined by job size and employee performance. Job size is established by job evaluation and performance is measured by employee appraisal. Each job level has a salary range with degree of maximum and minimum. Salary range represents all salary ranges over the whole spectrum of job size and a tool for salary administration.

²⁷ Armstrong M.2000. Performance Management, second Edition, Kogan Page Ltd, USA.p.166.Australia.

4.0 Developing compensation Strategy

At the organization level there is general wage level for employee associated with some certain factors that needs to be considered. Compensation system should be in such a manner that might attract and retain talents as organization needs, encourage employees to develop the skills and ability, motivate employee and create team culture for maintaining sustainable success of organization in the long run (Fisher,1993). So compensation strategy or system design and implementation is the key role of HR manager. It is really complex to determine wage level for organization. The following factors are to be considered:

- Other firm rate
- Union demand
- Labor supply and demand
- Cost of living changes
- Firms ability to pay

This wage commission board is assigned for determining the wage rate and review wage in general. Commission review job content, task and responsibility, job description, job specification and job requirement and also market force and nevertheless commission review organizational pay policy with country economic condition.

4.1 Establishing individual pay or internal equity: Job evaluation²⁸

Purpose of job evaluation is to decide which jobs are worth more for organization than other job (Devis, 1993). According to Fisher, major purpose of job evaluation is to determine the relative worth of the jobs within on organization. Job evaluation is concerned with how big or small the job is. There are many methods used to evaluate jobs, with this evaluation individual pay may be considered. Evaluation systems focus on the employee role or skills, competencies or knowledge as the basis for pay.

Job Ranking

In this method the evaluator ranks the jobs from 'bigger' to 'smallest'. It is the simplest and oldest method of job evaluation that sizes jobs by placing them in rank order.

²⁸ Fisher, S.S.,1993, Human Resource Management.....

Example of job ranking:²⁹

Rank	Job
1	General Manager
2	Marketing Manager
3	Production Manager
4	Accounting Manager

Job Grading

It is often used in the public sector, for example in Bangladesh has 20 grade of job according to pay scale and four types of employees according to level of employees such as Class-I, Class-II, Class-III and Class-IV with certain types of jobs in each level. The job grading method is a non-quantitative job evaluation technique that compares the whole job with a predetermined standard (for example, education, experience and responsibility). Here, the first step is to use a number of job related factors, next is to create generic or benchmark job descriptions for each grades of job. And to establish relative worth of an individual job, that is compared with benchmark description of the grade.

Point System

This method involves quantifying a set of job factors, such as education, experience, responsibility and working conditions by allocating points to each factor. The points are allocated for individual factors are to determine the job's relative worth to the organization. Example of point system is given below:

Education	Level	Points
PhD degree	5	250
Master degree	4	200
Bachelor	3	150
Secondary school	2	100
Primary school	1	50

Factor Comparison

This system is the refinement of ranking and point method. It permits the job evaluation process to be done factor by factor. This system is used to

²⁹ Raymond, J.S.2002. Human Resource Management, Fourth Edition, John Wiley & Sons, Australia

compare in five universal job factors, for example:

1. Responsibility- money, human resource record, supervisor responsibility of the job.
2. Skill-facility in muscular coordination and training in the interpretation of sensory requirement.
3. Physical effort- sitting, working, lifting, moving and so on.
4. Mental effort-intelligence, problem solving, reasoning, and imagination.
5. Working condition-environmental factors, noise, ventilation, Hours, hazards, etc.

4.2 Pay for individual and each job

Both in public and private sector organization job and responsibility are different. Each job is given grade or rank. Individual is given pay or compensation according job grade and rank and responsibility. Employee should give compensate or pay on the basis of following parameters:

- a) performance appraisal
- b) performance related pay
- c) gain sharing
- d) skill-based pay

5.0 Case study with reference to Bangladesh

5.1 Public Sector case

The civil service in Bangladesh is still steeped in traditions. The attribute of the pre-1947 Indian civil service and the civil services in Pakistan (1947-71) are still entrenched in the system to utilize and compensate human resources. The private sector is not so developed in Bangladesh as to proper regular employment opportunities for these people. Thus the civil service in Internal Labor Market (ILM), by and large, operates in a non-competitive environment and basically sets the standards of personnel management, especially recruitment and compensation.³⁰

Civil service compensation is adjusted periodically by the government. Generally it is called National Pay Commission. For example the government announced new pay scale on last 17 May, 2005 with an effect

³⁰ <http://www.indiana.edu/csrrc/zafar2.html>

from January 2005. This 6th pay commission announced 53% salary increased for 20 pay grade where the lowest was TK. 2,400 and the highest was TK. 23,000 month in terms of basic salary.³¹

Apart from this, public sector employees are enjoying benefits like housing allowances, traveling allowances, telephone allowances (as per ceiling), office car/transport, guard, and servant and so on. Still public sector employee's retirement age is 57. Employee has the yearly salary increment as per scale provision. Criteria for promotion is mainly on Annual Confidential Report (ACR) basis, and seniority in service. Employees are treating equally, not in gender bias. Women are also getting maternity benefit for four months twice of her service period with full salary or wages.

5.2 Industrial Sector

In Bangladesh 47 laws are now in operation. These are related to employee wages and benefit, working condition, labor administration and also workers compensation. In the industrial sector following laws are more or less practicing.³²

- Workmen's compensation Act, 1923
- Payment of wages Act, 1936
- Maternity benefit Act, 1936
- Employment and labor Act, 1965
- Shops and Establishments Act, 1965
- Factories Act, 1965
- Industrial Relations Ordinance, 1969

5.3 Garments Sector

It is found that that more than 5000 factories are in action or production mode. Now a day it is the largest sector in terms of employment as well as exports earning. It is said that about 75% of export earning comes from Garments sector. This sector is having 2.5 million employments.

5.3.1 Garments worker compensation

At the fourth decade of independence, Bangladesh has still not reformed laws in accordance with changed scenarios. Everyday, a huge number of

³¹ The Bangladesh Observer, May 17, 2005. Dhaka, Bangladesh.

³² www.boi.gov.bd/human_resources_employment.php

working people face accidents at workplaces particularly in factory, construction sites, agricultural farms, garments, leather production, transport, fishing launches and industries. All these accidents cause injures that can lead permanent disability and sometimes death. Workers especially garments workers do not get holidays and good working environment. Moreover, there is no minimum wages or salaries are not paid regularly by the employer/ management.

It is found that the existing worker's compensation laws are rigid and out of date. The Fatal Accident Act, 1885 provides for compensation to families for death of family members caused by lack of safety in the workplace. The Workmen's Compensation Act, 1923 states briefly how and to what level workers can apply for benefits. According to this law, an injured worker or, in case of death, his/her family is entitled to compensation as follows:³³

Injured worker's approx monthly wage (US\$)	Amount of compensation (US\$)	
	Death	Total disablement
\$0 to \$2	\$ 138	\$ 172
\$2 to \$4	\$ 206	\$ 275
\$4 to \$6	\$ 241	\$ 327
\$6 to \$8	\$ 275	\$ 362
\$8 to \$10	\$ 310	\$ 448
Above \$ 10	\$ 362	\$ 517

Source: Asian Labor Update

The Independent (Bangladesh) 17 April 2004

At present, the national minimum wage is above \$10 (around Tk 500). According to the Workmen's Compensation Act 1923 the surviving family of any victim of a fatal workplace accident will receive \$362 (Tk 21,000) only and in case of total permanent disablement the worker is entitled to \$517 (around Tk 30,000) only. It is unbelievable that worker life is worth only \$362, and that the value of our ability to function normally is just \$517.

³³ www.amrc.org.hk/5003.htm

5.3.2 Injured worker statistics

In fact working conditions and health hazards as a whole have changed over time. Unfortunately Bangladesh is still following an old-fashioned law that does not suit the present workers' situation at all. It is regrettable that the 'National Health Policy 2000' does not emphasize labor health issues. Every year, hundreds of accidents cause hundreds of deaths and disablement; it is high time that the seriousness of this situation is acknowledged; government should protect laborers' interests and take steps to save their lives and families as well as setting up a Workers' Compensation Commission to resolve all kinds of disputes.

Critical conditions regarding workplace accidents can be imagined on the basis of national newspapers report-

- In 1991, 144 workers died and 620 were injured in accidents at workplaces.
- In 2001, 196 workers died and 508 were injured.
- In 2002, 168 workers died and 389 were injured.
- About 1620 people were murdered from January to June in 2003. Most of them were workers.

Source: Source: Asian Labor Update
www.amrc.org.hk/5003.htm

5.3.3 Compensation case: Slow, unfair and usually unpaid

A 19-year-old worker, Kamal, was electrocuted at Peoples Garments while ironing clothes made for one of the world's biggest retailers. He died instantly in Mirpur over ten years ago. A union advises his mother to submit a petition to the Dhaka Divisional Deputy Inspector of Factories for a legal suit against Peoples Garments.

The Inspectorate filed a case in the Labor Court following an investigation. But Kamal's mother has still received no compensation because of the legal tangle.

6.0 Recommendations

6.1 For Garments Sector

- Worker compensation commission should be established on the basis of bilateral discussion between employers and employees.

- Fixed minimum wage for workers, must be set and follow-up actions should also be taken by the government.
- Every factory should formulate and follow insurance policy for the welfare of working employees.
- A specific percentage of profit share to be given worker as compensation every year.
- Proper implementation of labor law should be made and concerned supervising authority should be involved in monitoring the laws.
- Implementation of operational rules, for example, wages, duty hour, working condition, appointment letter for all workers should be made.
- A single compensation scheme for all workers should be kept in operation.

6.2 For Public Sector

- Equal opportunity of pay policy should be introduced.
- Performance based pay and promotion rather than seniority basis promotion should be introduced in order to attract and retained qualified and skilled employees.
- Paternity leave for one month with full pay should be introduced for male employees, which might work as motivation.
- Adequate housing loan facilities for all level employees with minimum interest may be provided.
- Lateral entry should be encouraged so that ageing people particularly more experienced and elderly people can utilize their skills and knowledge.
- Education loan for dependents should be introduced for all employees which will serve as the motivator to work to achieve organizational goals and objectives.
- Individual incentive to be given to better performing employees in order to motivate them to produce better outputs.
- Pay policy and pay structure should be matched with living cost.
- There should be a permanent pay commission and pay should be reviewed by pay commission after every 5 years.

- Every organization with at least 200 employees should have a medical and child care centre.
- Health insurance for all employees should be covered by the government, including for new entrants.

7.0 Conclusion

HRM experts consider compensation as one of the most important human resource management functions because of its exchange values paid to the employees for the service they provide to the organization eventually leading to achieve organizational goals and objectives. A good compensation package is a motivating factor for attracting and retaining employees. It also serves as a tool for the management to serve various purposes of the organization including its existence in the global competitive market. This is not only for the private sector but also for public sector. Compensation can be used to recruit qualified employees, increase level of individual satisfaction, add high performance, obtain internal and external equity, reduce turnover, practice employee welfare schemes etc. These are the benefits of compensation that may guide every organization to formulate and implement some strategic plans in order to achieve its goals and objectives. If the theoretical issues of compensation are analyzed to have its positive impact in the organizations of Bangladesh, either in public or private, researchers may be highly dissatisfied with the findings. Because some direct benefits regarding financial matters can be established along with some indirect benefits. The non-financial benefits are still ignored in the organizations. In order to get optimum utilization of human capital of working people, there should be a highly structured and rational compensation package in every public and private organization. In that case recommendations made above may help policy makers to prepare a realistic compensation package beneficial for both employers and employees as well.

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