Internship Report
on

An Overview of Compensation System of ACI & Labaid Pharmaceutics Limited

Submitted To

Department of Business Administration
Sonargaon University (SU)
Submitted for the partial fulfillment of the degree of Bachelor of Business Administration

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LETTER OF TRANSMITTAL

07.01.2025
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Subject: **Submission of Internship Report**

Dear Sir,

Here is the intern report that I have completed as a part of fulfilling the requirement for the project course. It is a great pleasure and privilege to present the project report of **"An Overview of Compensation System of ACI Pharmaceutics & Labaid Pharmaceutics Limited".** Which was assigned to me as a partial requirement for the completion of my BBA program.

I am very much gratitude to our almighty Allah because he gave me an opportunity to complete my own report program smoothly. I have tried to combine the secondary data available with my own investigation in order to come up with a complete report. In spite of several constraints I hope and sincerely believed that this report will serve the purpose of my project program. My effort will be rewarded only if it adds value to the research literature. Thanks again for valuable direction and cooperation.

Sincerely Yours,

……

Md. Eamin
ID: BBA2101022007
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STUDENT'S DECLARATION

I, Md. Eamin, a student of Bachelor of Business Administration (BBA) program from Sonargaon University. As a partial fulfillment for the requirement of the BBA program I went through the academic process, so I have to make choice between internship and project report and therefore I chose project report.

I hereby declare that the project report is titled as **"An Overview of Compensation System of ACI Pharmaceutics & Labaid Pharmaceutics limited".** Is prepared and completed by me under the supervision and guidance of **Md. Shahbub Alam,** lecturer of BBA Department of Sonargaon University.

Sincerely Yours,

……

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Certificate of Approval

I hereby declare that the concerned report entitled **''An Overview of Compensation System of ACI Pharmaceutics & Labaid Pharmaceutics Limited"** is an original work by Md. Eamin , BBA2101022007, Program: BBA Major in Finance in Sonargaon University, completed his project report under my supervision and submitted for the fulfillment of the partial requirement of BBA Program at Sonargoan University.

I wish him every success in life.

…….

Md. Shahbub Alam

Lecturer

Department of Business Administration
Sonargaon University (SU)

ACKNOWLEDGEMENT

First of all, I am grateful to almighty Allah because without whose help it would not have been possible for me to prepare this report. It is pleasure for me to present the project report on **‘‘An Overview of Compensation System of ACI Pharmaceutics & Labaid Pharmaceutics Limited”** The study is prepared for the purpose of completion of the BBA under the Sonargaon University.

Finally, I would like to thank my academic supervisor, Md. Shahbub Alam, lecturer of Department of Business Administration, Sonargaon University for guiding me and for giving me the prospects, valuable time and share wisdom to accomplish this report.

I acknowledges with warm gratitude the constant internal support, understanding and encouragement of my parents and my younger brother. Without their support the work would have been more difficult to accomplish.

Executive Summary

This paper is aimed at the evaluation of compensation design procedure, need of job analysis, basic pay, provident fund, gratuity facility, bonuses etc. through sizeable literature review it is known that there is a correlation that exists among the study variables mentioned above. The data collection was conducted on the executives and worker level employees of the organization as well as information from board of director panel. A structured questionnaire was used by the executive panel. ACI Pharmaceutical Ltd. one of the pioneers in the pharmaceuticals private sector of Bangladesh. Advanced Chemical Industries (ACI) was established as the subsidiary of Imperial Chemical Industries (ICI) in the then East Pakistan in 1968. After independence the company has been incorporated in Bangladesh on the 24th of January 1973 as ICI Bangladesh Manufacturers Limited and also as Public Limited Company. This Company also obtained listing with Dhaka Stock Exchange on 28 December, 1976 and its first trading of shares took place on 9 March, 1994. Later on 5 May, 1992, ICI plc divested 70% of its shareholding to local management. Subsequently the company was registered in the name of Advanced Chemical Industries Limited. Listing with Chittagong Stock Exchange was made on 22 October 1995.

This report is made up of seven chapters. In the 1st chapter of this report discussed the introduction of the agent banking business, the source of the report, and the purpose of the report. The central part of this chapter also discusses the scope, methodology, and design of the investigation. In Chapter 2, Literature Review. In Chapter 3, there were extensive discussions about the Profile of LABAID Pharmaceutical & ACI Pharmaceutical Ltd. This section includes the historical background, overview, structure, hierarchy, and objectives of companies. Chapters 4 and 5 of this report include findings and recommendations from LABAID Pharmaceutical & ACI Pharmaceutical Ltd agent Pharmaceutical business. The analysis part includes guideline provided by the Pharmaceutical the statistical analysis of the outlook of the agent Pharmaceutical of Bangladesh.

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Chapter-1

Introduction

1.1 Introduction

The most critical issue on HRM is keeping employee happy on the job. It is possible through the handsome compensation packages and benefits. Compensation and benefit system is the most crucial function of Human Resource Management. This study aims at exploring differences and similarities between the two pharmaceutical companies of Bangladesh with respect with respect to compensation and benefit packages, allowances, incentives etc.

ACI is one of the leading and largest pharmaceutical sectors in Bangladesh. In the recent business world, especially in pharmaceutical sector, long-term employee retention is crucial issue. ACI's mission is to achieve business excellence through quality by understanding, accepting, meeting and exceeding customer expectations. ACI follows International Standards on Quality Management System to ensure consistent quality of products and services to achieve customer satisfaction. ACI also meets all national regulatory requirements relating to its current businesses and ensures that current Good Manufacturing Practices (CGMP) as recommended by (WHO) World Health Organization is followed properly. ACI has been accepted as a Founding Member of the Community of Global Growth Companies (GGC) by the World Economic Forum (WEF) which is the most prestigious business networking organization.

Labaid Pharmaceuticals Ltd is the leading pharmaceutical manufacturer in the country. It is a member of the Labaid Group. It all began in 1980 when LPL's first product made under license of Bayer AG, Germany rolled out of a small manufacturing plant in Tonga, Dhaka. Products made under license of Upjohn Incorporated, USA followed. After its initial years of struggle it broke ground with the launching of its own products in 1983. Today, Welcome, Novartis, Hoechst, Rhone Poulenc Rorer, and Fissions etc.

The cost of designing the compensation and benefit system is significant. So proper planning on compensation and benefit package and implementing the plan is the task that requires more focuses and improvement. Realizing this need I have tried to find the differences and similarities between theoretical aspects with the practical steps taken by the company. I have taken an attempt to demonstrate the feature for the future for the further improvement after finding out some laggings.

1.2 Objectives of the study

There are two types of objectives of this report. They are;

- ❖ Broad Objective
- ❖ Specific Objectives

1.2.1 Broad Objective

- The main purpose of the study An Overview of Compensation System of ACI Pharmaceutics & Labaid Pharmaceutics Limited.

1.2.2 Specific Objectives

In order to serve this purpose the following objectives have been satisfied:

- To assess the present compensation and benefit packages.
- To illustrate various types of allowances and other compensation related facilities provided by ACI Limited and LABAID Limited.
- To identify the problems of employee compensation & benefits package of ACI Limited.
- To identify some findings & give recommendations
- To make a comparison of compensation between ACI & Labaid Lid.

1.4 Methodology:

This report is a descriptive type of research in nature and it administered by collecting both primary and secondary data. It has tried to use both the primary and secondary sources of collecting information and some are to make the report presentable with as less abstraction as possible.

Types of data collection:

In order to attain the objective of the report, all-necessary information's are prepared by collecting both primary & secondary sources of data. These are:

Primary data:

Primary data collected directly to provide the ACI Limited Company and LABAID Limited Company's employees' compensation & benefits package through face-to-face interaction. It is the systematic collection of information directly from respondents using survey. Several sources of data collection are used to make this report. The source of data are-

i. Face to face communication.
ii. Telephone interview.

Secondary data:

Some secondary data collected to make the report more concrete. These data has been collected from:

- ACI Limited annual report 2021, 2022.
- ACI Limited statistical report 2022.
- Web site: www.aci-bd.com.
- LABAID Limited annual report 2021, 2022.
- LABAID Limited statistical report 2022.
- Web site: www.Labaid-bd.com.

1.5 Limitations of the study:

It is really very difficult to find out every single issue within this limited period of time. Overall the limitations those I have faced are:

Time Frame

1. It was really difficult for us to accumulate confidential financial data.
2. The Company does not have sufficient source of secondary data and collecting of Data was not smooth.
3. Since maintenance function entails a vast area it was beyond our scope to describe and investigate each and every topic though I tried to cover all the important aspects to make my report a comprehensive one.

4. The management of my selected organizations was somewhat reluctant to reveal all the information about their policies. They did not particularly provide the amount of salaries or the policies to give incentives.
5. The hierarchies of the selected companies are so different that it is very difficult to find out the same level positions and compare their salary ranges.
6. In many cases the relevant authorities are not helpful to provide information.
7. Lack of instrumental facilities to get proper information.
8. Lack of Records, Sufficient books, unavailable information in website. These constraints narrowed the scope of accurate analysis.
9. The employees of the company were so much busy with their jobs, which lead a little time to consult with me.

Chapter-2

Literature Review

2.1 Literature Review

Compensation processes are based on Compensation Philosophies and strategies and contain arrangement in the shape of Policies and strategies, guiding principles, structures and procedures which are devised and managed to provide and maintain appropriate types and levels of pay, benefits and other forms of compensation Although compensation means something different to individuals, organizations and society, it is important to all. For individuals, compensation is not only the return of benefits, but it also reflects on individuals' capabilities or achievements (Ali, 2009). For organizations, compensation is a cost or expenditure, as well as an important tool to obtain competitive advantages. Within society. . Therefore, the diversity of implications and influences of compensation are profound (Chang, 1996). A compensation system is an encouragement design whereby the contribution of employees is returned. An effective compensation system can stimulate employees to work harder, thus increasing productivity (Lin, 2000), and enhancing job performance. Henderson (1979) divided compensation into a reward system and non-reward system. It deals with the design, implementation and maintenance of compensation system that are geared to the improvement of organizational, team and individual performance. Compensation implies having a compensation structure in which the employees who perform better are paid more than the average performing employees. Compensation Management is concerned with the formulation and implementation of strategies and Policies that aim to compensate people fairly, equitably and consistently in accordance with their value to the organization. The task in compensation administration is to develop policies and the terms of attracting, satisfying, retaining and perhaps motivating employees. Which the researchers examined originated from the Eastern Nigeria Government and the old Anambra State. In the former, enterprises distribute the returns to employees by money and various recompenses; in the latter, enterprises provide spiritual, psychological and physical welfare activities to employees. Hu (1993) suggests that compensation has two meanings for managers: first, it is the main operational expenditure of enterprises; second, it influences employees' work behavior and attitude. Wang (1998) suggested that in order to provide a return to labor, organizations should offer direct and indirect compensation to employees, including base compensation, subsidies, reward and welfare. Huang (1997) divided compensation into a base level of compensation

Is not simply a return for labor service? It is an important tool that managers can use to influence and manipulate employee behavior. Their postings, performance and skills. Following Robbins (1992), this study considers compensation system design as based on three factors: job based pay, performance-based pay and skill-based pay. 1) Job-based pay: Organizations decide on the relative value of job-based pay. The criteria of pay design include internal equity, job attributes, difficulty and responsibility. The theoretical basis of job-based pay is the equity theory of organizational behavior, which focuses on internal equity. According to equity theory, employees will compare their contribution and return with that of other employees and try to even out any inequity (Robbins, 1992). 2) Skill-based pay: also referred to as knowledge-based pay, is based on the skills of employees. Basically, it means that employees are paid differently according to their skills, education and capabilities. In past years, skill based pay has been greatly valued by managers. 3) Performance-based pay: A performance-based pay design is a flexible compensation system that considers equity and individuals' different demands, and provides proper incentive for work done. Although this design increases the cost of enterprises, the benefits are significantly more than the overall cost. When employees' needs are considered and their learning motivation is enhanced, they work harder and are more loyal to their companies. Thus, employer and employee cohesion is strengthened. These three factors are described as follows Analogous to the more general definition just discussed, the term connotes compensation decisions responsive to environmental opportunities and threats, and linked to or supportive of the overall long term directions and purposes of the organization. Being strategic about compensation implies support of the business strategy and sensitivity to anticipated environmental pressures. But such a general characterization does not provide much leverage for research or theory building. Nor does it offer much guidance for managing compensation. And the folly of undertaking research based on poorly defined constructs is well recognized. The notion of compensation strategy originally surfaced in the literature on executive compensation. From a strategic perspective, compensation for executives was defined in terms of several basic elements: base pay, short- and long term incentives, benefits, and perquisites. The major strategic decisions focused on the deployment of total compensation among the basic elements to best achieve the missions of the organization. Long term incentive as a percent of total compensation is an example. Attention was directed at choices among various short-term versus long-term incentive schemes, the relative emphasis on corporate versus subunit performance, and the riskiness of the total compensation package.

Chapter-3

Organizational Overview

3.1 History of ACI Pharmaceuticals:

In 1973, the UK based multinational pharmaceutical company, ICI plc, established a subsidiary in Dhaka, known as ICI Bangladesh Manufacturers Limited. In 1992, ICI plc divested its share to local management, and the company was renamed Advanced Chemical Industries (ACI) Limited.

ACI formulates and markets a comprehensive range of more than 387 products covering all major therapeutic areas, which come in tablet, capsule, powder, liquid, cream, ointment, gel, ophthalmic and injection forms. ACI also markets world-renowned branded pharmaceutical products like Arimidex, Casodex, Zoladex, Atarax etc. from world-class multinational companies like ASTRAZENECA, UK and UCB, BELGIUM in Bangladesh.

ACI is actively engaged in introducing newer molecules and Novel Drug Delivery Systems (NDDS) to meet the needs of the future.

ACI introduced the concept of quality management system by being the first company in Bangladesh to achieve ISO 9001 certification in 1995 and follows the policy of continuous improvement in all its operations.

Aligned with the concept that a pharmaceutical must ensure effective management of environment, ACI complies with standard environment management policy, thus adorned with EMS 14001 in 2000.

ACI maintains a congenial and supportive relationship with the healthcare community of Bangladesh, with the belief that business excellence can only be achieved through pursuit of quality by understanding, accepting, meeting and exceeding customer expectations.

The management of ACI, a competent team of professionals, thus operates with a progressive attitude to provide effective solutions to satisfy the customers' needs, through its products and services of uncompromising quality.

3.2 Mission, Vision & Values of ACI Limited:

Mission:

ACI's mission is to enrich the quality of life of people through responsible application of knowledge, skills and technology. ACI is committed to the pursuit of excellence through world-class products, innovative processes and empowered employees to provide the highest level of satisfaction to its customers.

Vision:

1. Endeavour to attain a position of leadership in each category of its businesses.
2. Attain a high level of productivity in all its operations through effective and efficient use of resources, adoption of appropriate technology and alignment with our core competencies.
3. Develop its employees by encouraging empowerment and rewarding innovation.
4. Promote an environment for learning and personal growth of its employees.
5. Provide products and services of high and consistent quality, ensuring value for money to its customers.
6. Encourage and assist in the qualitative improvement of the services of its suppliers and distributors.
7. Establish harmonious relationship with the community and promote greater environmental responsibility within its sphere of influence.

Values:

- Quality
- Customer Focus
- Fairness
- Transparency
- Continuous Improvement
- Innovation

3.3 HISTORY OF LABAID PHARMACEUTICALS:

Labaid is the trend setter in different business sectors in Bangladesh. Today Labaid is one of the leading group of companies in the country which includes business of health care, pharmaceuticals, financial, education, agro etc. However the core of Labaid group lies in health care services. 20-25 years back there was no comprehensive treatment facilities in the country. It was very difficult to have the diagnosis for a distressed patient from a remote area in Bangladesh.

For a minor investigation a patient from a remote area had to stay Dhaka for several days and wander at different places for different tests. The lack of quality treatment and the sufferings of the patients inspired the visionary leader Dr. A M Shamim to set a new trend in treatment for Bangladeshi patients. As a result Labaid diagnostic was established with the belief that a cure is the result of an accurate diagnosis. At that time there was not much option for cardiac treatment except going to neighboring countries. Labaid Cardiac Hospital unfolded a new horizon of cardiac treatment for Bangladeshi patients.

A need for a specialized treatment was also there. Considering this need Labaid established Labaid specialized hospital which was another breakthrough in the health care sector of Bangladesh. Having a phenomenal growth Labaid diversified its business to different sector like education, financial, agros, real estate etc. Recently Labaid has entered in pharmaceutical industry with an aim to provide unparallel quality products at an affordable price.

3.4 Mission, Vision & Values of Labaid Limited:

Mission:

To provide highest possible standard quality medicine at an affordable price for the patients in the country.

To reach global market within short span of time

To focus R & D extensively by building strategic partnership

Vision:

The vision of Labaid Pharmaceuticals is to become a research based global pharmaceutical company and help people live healthier by delivering great medicine through innovation.

Values

We are committed to serve for human kind. At Labaid, we do things passionately to help people live healthier and happier. We understand that our responsibilities are more towards our communities as they believe Labaid is the place to rely and trust. We believe it is our sacred responsibility to repay the debt to the soil which gave us birth. Our every activity is driven by this belief. Today Labaid is the name of quality, care and trust. We have always been values driven company. We consider these values as the heart of company and soul of the business. Our core values are:

- **Integrity**
- **Excellence**
- **Respect for Individual**

Chapter-4

Conceptual Aspects of Compensation

4.1 Definition of Compensation:

Compensation Management: "Compensation is a mode through which an organization logically evaluates the contribution of its employees and provides them with financial and non-financial incentives according to its affordability and within the government regulation"

According to Henderson "a step by step approach for designing a remuneration system that recognizes job requirements, employee related knowledge and skills and performance related incentives that link individual, work unit and organizational performance"

According to Richard l. Henderson,

"Compensation management is the process by which the authority of the organization provides some financial and non-financial benefits to the employees for their contribution"

Total remuneration also includes a host of benefits that protect and expand the life style and health of workers and their families.

Compensation is the remuneration received by an employee in return for his/her contribution to the organization. It is an organized practice that involves balancing the work-employee relation by providing monetary and non-monetary benefits to employees. Compensation is an integral part of human resource management which helps in motivating the employees and improving organizational effectiveness.

4.2 Types of Compensation:

Compensation can be of two types. They are Direct or Indirect Compensation

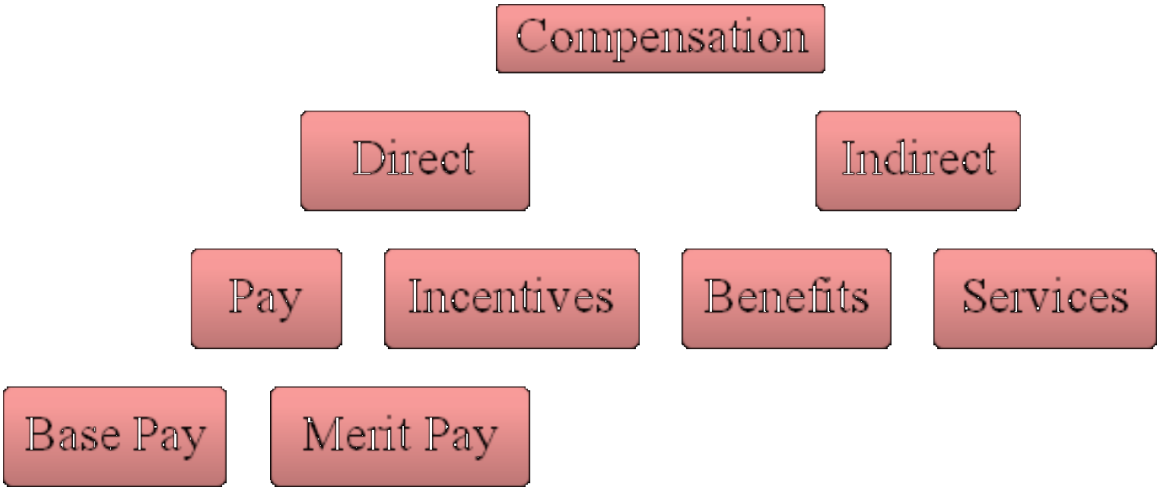


Figure 2: Types of Compensation

Source: Dynamics of Human Resources Management

4.2.1 Direct compensation:

Direct compensation is remuneration provided to employees in exchange for their labor and services. What makes it direct is that it is given to the employee without an intermediary. Under direct compensation there are two sub types of compensation.

- Pay: It consists of wages and salaries received for performing work. It can be base pay and merit pay based on job performance.
- Incentives: They are provided for higher performance. They can be piece wage, commission, bonus, profit sharing, stock option etc.

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 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.



Fig 3: Direct compensation

4.2.2 Indirect compensations

Indirect compensations are provided for the employee's benefit, but are not given directly to the employee. Under indirect compensation there are two types of compensation

- Benefits are the payments addition to pay. They can be
  - Pay for time not worked: Paid vacation, holidays, leaves
  - Protection Programs: Pension, gratuity, insurance etc.
  - Executive Benefits: Free Newspapers, telephone rental etc.
- Services and Perquisites: They increase employees wellbeing at no cost or significantly reduced cost to employees. They can be
  - Housing, transport, food
  - Loans, children's education expenses
  - Discount on purchases, credit cards
  - Social-cultural recreational activities; club subscriptions.

Indirect compensation include Leave Policy, Overtime Policy, Car policy, Hospitalization, Insurance, Leave travel Assistance Limits, Retirement Benefits, Holiday homes.



Fig 4: Indirect Compensation

4.3 Components and major components of compensation system:

4.3.1 Components of Compensation System:

Compensation systems are designed keeping in minds the strategic goals and business objectives. Compensation system is designed on the basis of certain factors after analyzing the job work and responsibilities. Components of compensation system are as follows:

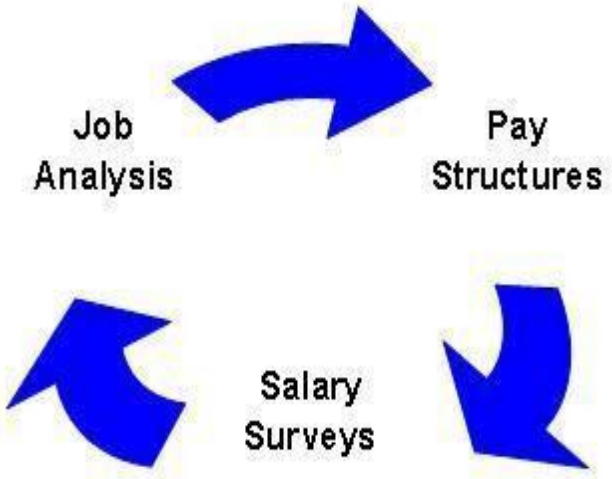


Fig 5: Components of compensation system

4.3.2 Major Components of Compensation:

Basic wages/Salaries:

These 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. It is structured based on the position of an individual in the organization and differs from grades to grades.

Dearness allowance:

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 labor. 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.

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 labor.

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 laborers are paid wages for each of the Quantity produced by them. The gross earnings of the labor 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.
The GANTT productivity planning and Taylor's plan of wages are examples of piece rate wages and the related consequences.

Sign on Bonuses:-

The latest trend in the compensation planning is the lump sum bonus for the incoming employee. A person, who accepts the offer, is paid a lump sum as a bonus. Even though this practice is not prevalent in most of the industries, Equity research and investment pharmaceuticals companies are paying this to attract the scarce talent.

Profit sharing payments:-

Profit sharing is again a novel concept nowadays. This can be paid through payment of cash or through ESOPS. The structuring of wages may be done in such a way that, it attracts competitiveness and improved productivity.

Profit sharing can also be in the form of deferred compensation at the time of retirement. At the time of retirement the employees may be paid a lump sum or retrial benefits.

Reimbursements:-

Employees, depending upon their gradations in the organization may get reimbursements based on the Expenses incurred and substantiated. Certain expenses are also paid based on expenses incurred during the course of business.

In many cases, employers provide advances to the employees for incurring certain expenses that are incurred during the course of the business.

Some examples are.

- Travel expenses.
- Entertainment expenses
- Out of pocket expenses
- Refreshments expenses during office routine outside office premises.

Sickness benefits/pregnancy:-

The increasing social consciousness of corporate had resulted in the payment of sickness benefit to the Employees of companies. This also includes payments during pregnancy of women employees.

The expenses incurred due to injury or illness are compensated or reimbursed to the employees. In certain companies, the death of an employee is compensated financially. Companies are also providing supporting financial benefits to the family of the bereaved employees. However, companies covering these cost through appropriate insurance policies like, Medical and life insurance. The whole idea of

Compensation management can be better understood through the following Pyramid structure.

Retirement plans: 401(k) plans have become popular because they are relatively easy to administer and are less expensive than traditional pension plans. Many employees like these plans because they maintain some control over the amount of their contribution and how the money is invested.

Time off and flexible schedules: This includes holidays, vacations, sick days and personal days. An employer unable to offer competitive salaries may close part of the gap by offering more time off or flexible work hours.

Miscellaneous compensation: Other forms of compensation to consider include employee assistance programs, which can provide everything from psychological counseling to legal assistance; discounts on company products; use of a company cars etc.

4.4 Importance of Compensation System:

Employee compensation may be the single most vital aspect of business. Businesses succeed or fail based on the quality of employees work, and compensation generally is considered the most important factor in attracting and retaining quality employees. Adequate rewards and compensations potentially attract a quality work force, maintain the satisfaction of existing employees, keep quality employees from leaving, and motivate them in the workplace.

Recognition of Employee's contribution means-

Financial compensation:

The organization provides the financial facilities to the employees for doing their job in the organization. Financial compensation includes the followings:

- Salary.
- Wages.
- Incentives.
- Fringe benefits.

- Dearness allowance.
- Medical allowance.
- House rent allowance.
- Gratuity.
- Retirement benefits.

Non-financial compensation:

Besides financial compensation, the organization also provides non-financial compensation to the employees for attracting and performing their jobs in the organization. Non-financial compensation includes the following:

- Dignity.
- Recognition.
- Working condition.
- Social status.
- Achievement.

4.5 Objectives of compensation Management:

Objectives of compensation are very important because it helps the organization obtain, maintain and retain a productive work force.

Without adequate compensation, current employees are likely to leave. It is the main reason why most individuals seek employment. From the employee's point of view, pay is necessary of life. Pay is the means by which people provide for their own and their family needs.

The Management of compensation must meet several objectives. These objectives ate listed below:

To acquire qualified personnel:

Compensation needs to be high enough to attract qualified personnel.

To retain present employees:

Compensation level must be competitive in order to retain qualified employees otherwise they may leave.

To ensure equity:

Workers must be paid at a rate equal to the pay that similar workers receive in another firm.

To reward desired behavior:

Good performance, experience, loyalty, new responsibilities and behavior can be rewarded through an effective compensation plan.

To control costs:

The compensation system must be cost effective.

To comply with legal regulations:

The compensation system must with all sorts of legal regulations.

Factors affecting pay satisfaction:

To ensure continuity of sound working spirit.

Nash and Carroll found that pay satisfaction varies with the following factors.

Salary Level:

Higher the pay, higher the satisfaction within an occupational group.

Community cost of living:

Lower the cost of living, higher the pay satisfaction.

Education:

Lower the education level, higher the pay satisfaction.

Experience:

Higher the experience, higher the pay dissatisfaction.

Future expectations:

The more optimistic the employee is about future job conditions, the greater the pay satisfaction.

Chapter -5

Compensation System of Labaid pharma Ltd and ACI pharma ltd.

5.1 Basic salary and allowances:

Salary and Different types of allowances given on the basis of salary in ACI Limited:

Salary & Benefits	Employee Designation	
	Office Management staff	Field Staff
Basic Salary	6500-87000	6000-8500
House Rent allowance	100% of basic	100% of basic
Medical allowances	50% of basic	100% of basic
Transport allowances	50% of basic	50% of basic
Lunch allowance	Tk.1100 to Tk.1500	——-
Utility allowance	50% of basic	50% of basic

Table 1: various allowances of ACI Limited

Different types of allowances given on the basis of salary in LABAID Limited:

Salary & Benefits	Employee Designation	
	Office Management staff	Field Staff
Basic Salary	6500-77000	6500-8500
House Rent allowance	50% of basic	50% of basic
Medical allowances	30% of basic	20% of basic
Transport allowances	30% of basic	30% of basic
Lunch allowance	Tk.1500 to Tk.1800	——-
Utility allowance	50% of basic	50% of basic

Table 2: various allowances of Labaid Limited

5.2 Advance salary payment:

No advance salary or advance from already earned salary can be disbursed to any employee without written approval of the managing director.

5.3 Incentives:

Compensation fluctuates according to:

- A pre-established formula.
- Individual or group goals because group goals are different from individual goals.
- Company earnings

An incentive adds to base pay:

- It controls costs because the employee is being paid for his/ her extra effort and for the benefits brought to the organization.
- Motivates employees.

Incentive pay categories:

Individual.

Group.

Company-Wide.

5.4 Provident Fund:

The Company's Provident Fund is a funded scheme. All confirmed and permanent employees are entitled to be members of the Provident Fund. The employee contribution, equal to 10% of the basic salary, is deducted each month through the payroll. The Company's Provident Fund is a funded scheme. All long-established and enduring employees are at liberty to be members of the Provident Fund. In the Provident Fund Ledger, both the employee's and the Company's contributions are accredited to the individual employee's account.

5.5 Gratuity Facility:

Gratuity is a scheme to motivate people to serve for longer durations with the same employer. Anybody who has served an organization for more than 5 years is eligible for Gratuity. A portion of the employee's last drawn salary would be multiplied with the number of years of service and paid out when the leave an organization after years of service. This facility has been provided by the organization when an employee will leave from the organization.

5.6 Bonuses:

Incentive bonuses are a creative form of compensation that some employers offer their employees. Bonuses and cash incentives are a form of variable pay linked to individual, collective or organizational performance. Non cash incentives are also widely used such as; competency based pay, skill based pay, employee recognition and commission.

- **Festival Bonus:** The bonus that is given on the eve of religious festival is called festival bonus. It is given two times in a year. For example, Eid-ul-Fitr and Eid-ul-Azha. This bonus is given on the basis of basic salary. Usually the rate of bonus is 100% of the basic salary. E.g. If the basic pay is 20,000tk the festival bonus will be also 20,000tk.

All confirmed Permanent employees of Labaid Pharmaceuticals Ltd. are entitled to one Annual Bonus each equivalent to "Basic Salary" under the following conditions:

Attendance in the Calendar Year	Bonus Entitlement
200 days +	100% of the Bonus
90 days +	50% of the Bonus

5.7 Medical benefits:

All employees of ACI and Labaid will receive a monthly medical allowance as per respective grade of the employee. The allowance will be paid together with the employee's monthly salary and for this no receipt needs to be submitted. For special case of treatment, following are the additional support extended to the employee's.

Level of employees	Types of medical benefits	Amount
Office Management staff	Hospitalization	50%
	Surgery	75%
Field staff	Hospitalization	50%
	Surgery	75%

Table 3: Medical benefits of ACI pharma ltd

Medical benefits of Labaid pharma ltd.

Level of employees	Types of medical benefits	Amount
Office Management staff	Hospitalization	40%
	Surgery	60%
Field staff	Hospitalization	25%
	Surgery	30%

Table 4: Medical benefits of Labaid pharma ltd.

5.8 Mobile or Telephone bill:

Based on the LPL & ACI‟s business need, a mobile telephone provided to a permanent or contract employee. To receive this benefit, a written application should be forwarded to the Department Head, IT upon approvals of the employee's Department Head and In charge of the site/factory if applicable. The mobile phone is to be used first and foremost for business purpose, though can be utilized for being in contact with the family members, if necessary with logical discretion due to the high cost of mobile phone usage.

- **Mobile bills:** Monthly Rs 600tk is given as mobile bill facility for both company.

Chapter 6
Comparison of Compensation ACl & Labaid Ltd

6.1 Comparison of compensation between ACI Pharmaceutical & LABAID Pharmaceutical's Compensation & Benefit systems:

From the previous analysis it is found that there are several differences bet Pharmaceutical & LABAID Pharmaceutical's Compensation & Benefit systems. Though ACI compensation and benefit systems are more clear than LABAID's compensation system. The differences will compare to each other. Differences are based on total compensation system. Such as, basic salary, provident-fund, gratuity, bonus, allowances. But basic salary is not perfectly identified, because of its depends on employees designation. So each and every employee has deference salary structure according to their level of position. Such as; ACI provide provident fund, where employee provide 10% of their basic salary and ACI also provide 10%, that means equal contribution from ACI. LABAID also provide in the same way. So there is no deference in provident fund. But their deference in provident fund is depends on basic salary. In gratuity there is deference and that is in gratuity. That is ACI ensure gratuity to the employee after 8 years completion of employee's service but LABAID provide or ensure gratuity after 7 years completion of employee's service. In festival bonus has deference also, that is ACI provide festival bonus to the employee that is 100% of basic. LABAID also provide 100% of basic. But the deference is if any employee already provided 200 days plus service to the company then those employees will be entitled for the 100% bonus. But any employee who entered into the company whose service is not reached at 90 days plus then he will not be entitled for 100% festival bonus. Then he/she will get only 50% of basic salary. LABAID provides HAJJ LEAVE whereas ACI does not. There is the deference. By this way there are several differences between these two company's compensation and benefit systems. There are several differences apart from these differences; those are shown below along with above information.

6.2 House rent allowance:

ACI		LABAID	
Management level	**Worker level**	**Management level**	**Worker level**
100%	100%	100%	300%

Table 5: House rent Allowance Comparison

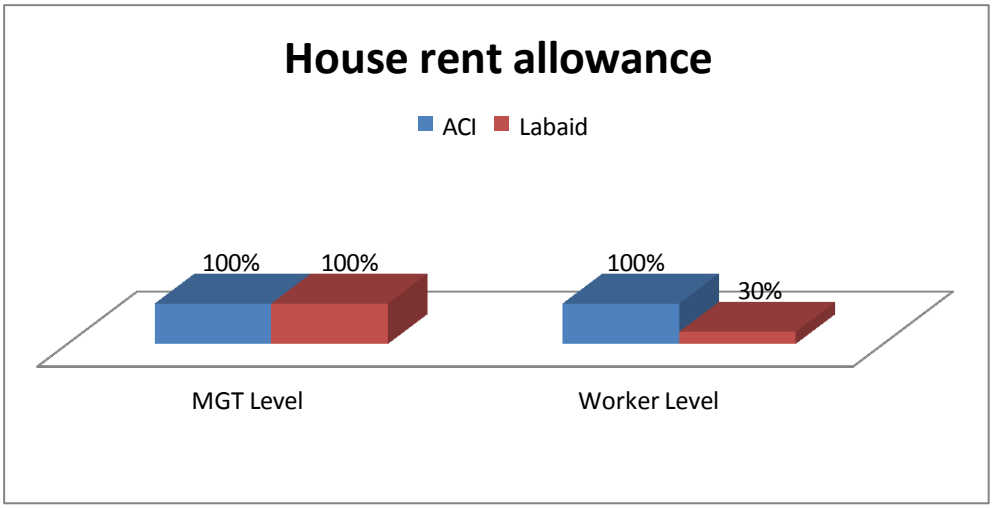


Figure 6: Comparison of house rent allowance between ACI & LABAID

Source: ACI & LABAID

From the above figure it is clear that ACI provides better house rent allowance to the employees. The figure shows that ACI provide 100% house rent allowance to their both management and worker level employees. That means ACI has no discrimination to their employee on house rent allowance. But LABAID has deferent look in the figure. The figure shows that LABAID provide 100% house rent allowance to the management level employees but they provide just 30% house rent allowance to the worker level employee. Which makes a clear discrimination among the LABAID's employee any company should provide their benefit firstly to their worker level employee. Because they give their physical labor to the company. So in that point of view every company should be. Between this two companies ACI has that point of

View. They provide equally to the management and worker level employees and that is 100%. Now a day's accommodation became very difficult for every person who live as a tangent. If company doesn't help them properly then how they survive. So LABAID should concern about this side. House rent allowance play a vital role to retain competitive employee to the organization. Because some organization provide handsome amount of salary but they dos not provide house rent. As a result employee saw that such handsome he/she got that is become valueless. They have nothing remain after paying their rent. It's a matter of security also. Finally employee become about to leave the organization. They then join in a company where salary is lower than previous but accommodation or house rent allowance is 100% of their basic salary.

6.3 Medical allowance:

ACI		LABAID	
Management level	**Worker level**	**Management level**	**Worker level**
50%	100%	100%	50%

Table 6: Medical Allowance

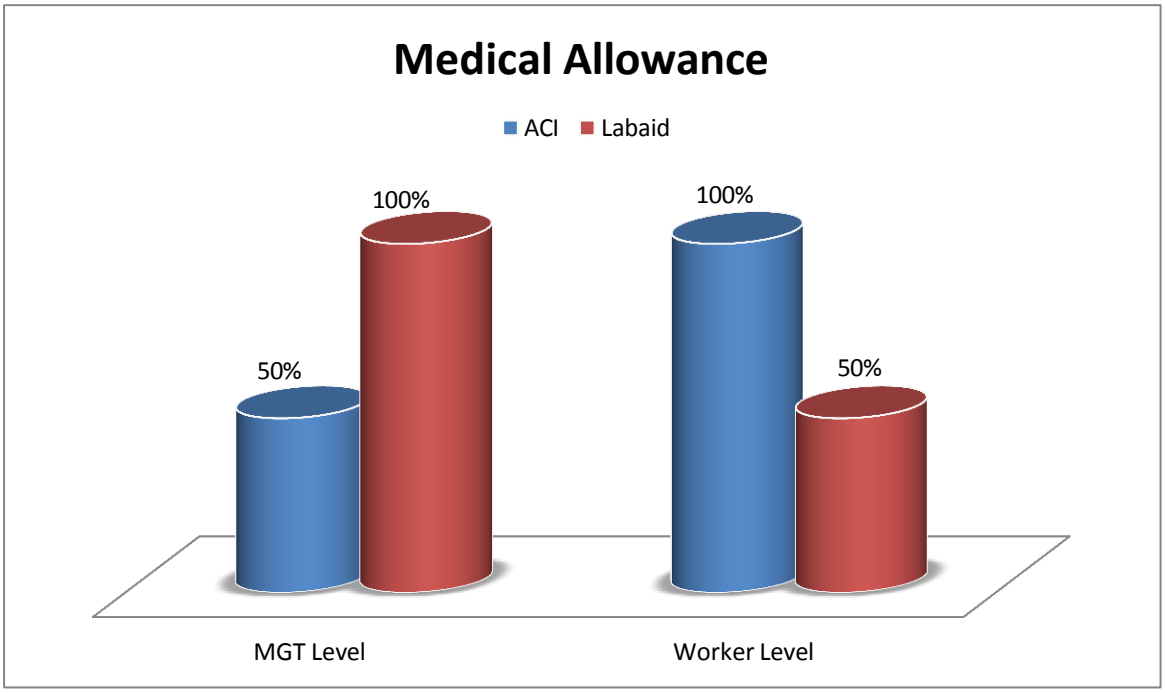


Figure 7: Comparison of Medical allowance between ACI & LABAID

Sucre: Medical allowance

The above figure shows that ACI provides 50% of their basic salary for the management level, but LABAID provides 100% medical allowance to the management level. This is two times greater than ACI Company. That means double form the ACI. The figure also shows that ACI provides 100% medical allowance to the worker level employees, but LABAID provides only 50% medical allowance to their worker level employees. This is two times lower than ACI Company. Worker level employee has more risk in workplace than management level employee. Because worker provide their physical labor to the organization. They are directly involved with machine or other tools of the organization. They are directly involved with production. So they need to provide better than management level. Management level does not work with machine. They are not directly involved with production. So naturally they have few risks. In that case ACI plays a good role than LABAID. Normally company doesn't allow foreign treatment, in case where treatments are not reliably available in Bangladesh, the ACI may consider allowing the individual to proceed abroad for such treatment. But LABAID does not provide such treatment.

6.4 Transport Allowance:

ACI		LABAID	
Management level	**Worker level**	**Management level**	**Worker level**
50%	50%	100%	50%

Table 7: transport allowance comparison

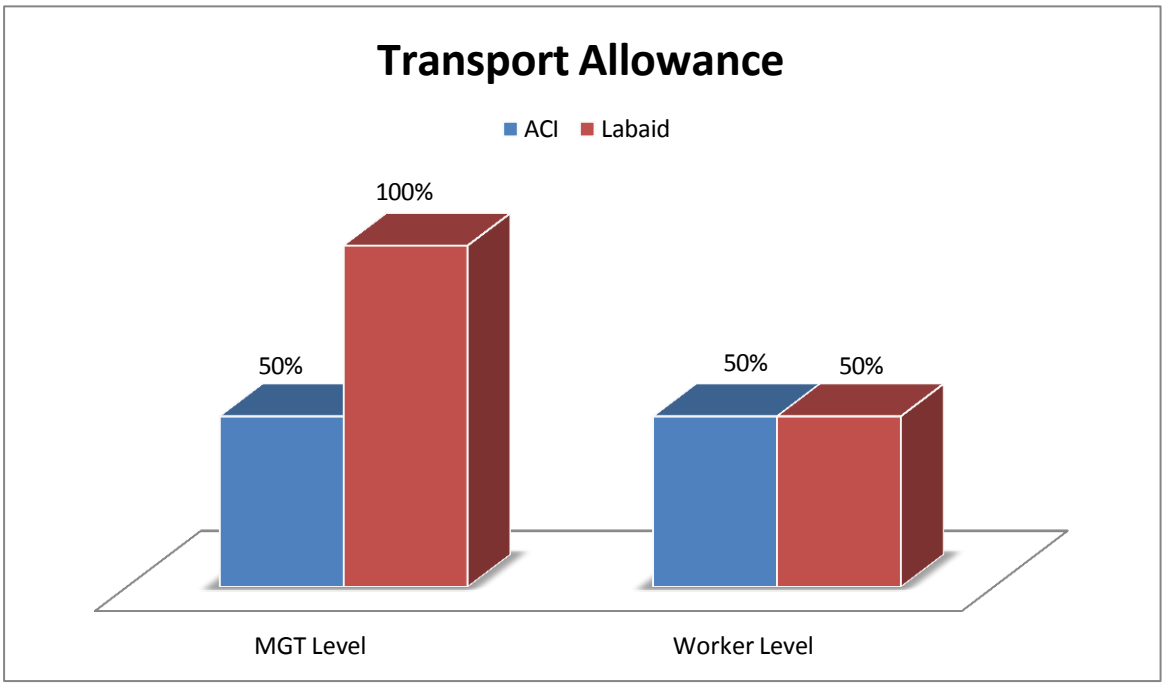


Figure 8: Comparison of Transport allowance between ACI & LABAID

Sucre: ACI & LABAID

The above figure shows that ACI provides transportation allowance 50% of the basic salary for management level as well as for worker level. But LABAID provides 100% transportation allowance to their management level employees and only 50% of basic salary transportation allowance for worker level employees. Here is the deference between these two companies. Transportation allowance should be paid the company. Because employee go outside of the company for the purpose of official work. So company should bear the cost. In that case LABAID plays a vital role. Because they provide 100% transport allowance to their employee. They also provide travel allowance with first class transportation facility to their employee. Living expense during business travel, that is totally bear by the LABAID. They also provide meal and all other expenses for the management level employee. ACI does not provide that much of transportation allowances.

6.5 Utility Allowance :

ACI		LABAID	
Management level	**Worker level**	**Management level**	**Worker level**
50%	50%	70%	40%

Table 8: Utility Allowance comparison

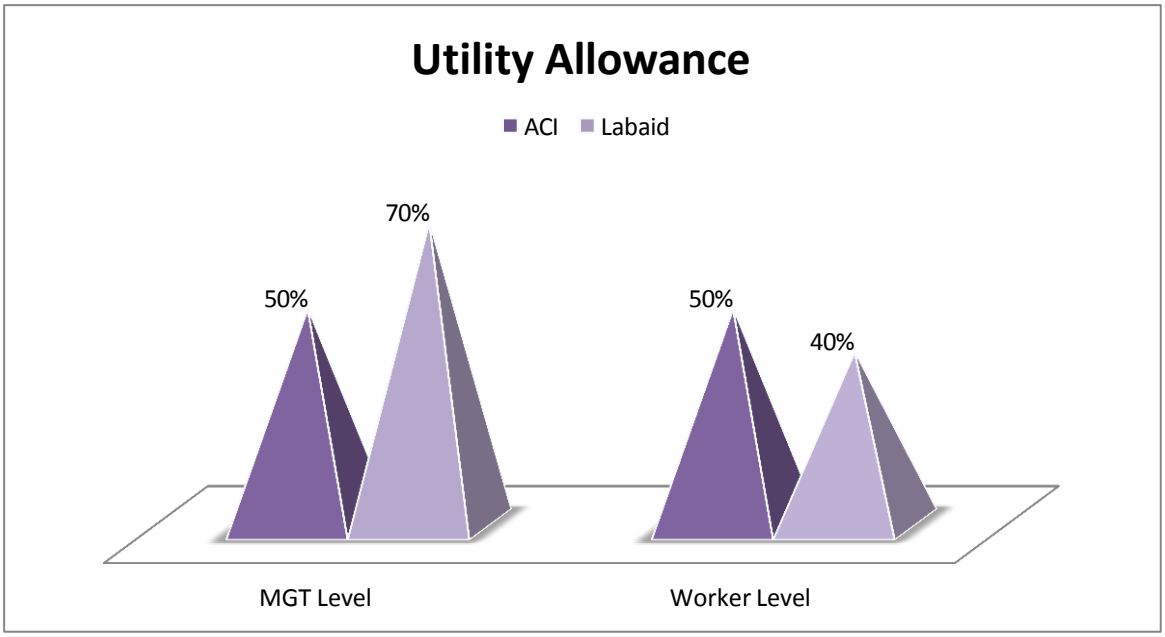


Fig 9: Utility Allowance

Sucre:

Above figure shows that there is a difference between ACI & LABAID in utility allowance. In ACI management level get 50 % of their basic salary for their utility allowance, where LABAID get 70% of their basic salary. That means LABAID's management level get 20% grater then ACI's management levels. Deference is ACI worker level get 50% of their basic salary where LABAID worker level gets 40% of their basic salary. In this sector ACI pays more than LABAID.

6.6 Leave entitlement:

	ACI		LABAID	
	Management Level	Worker Level	Management Level	Worker Level
Privilege	24	24	24	24
Sick Leave	14	14	10	10

Table 9: Leave entitlement Comparison

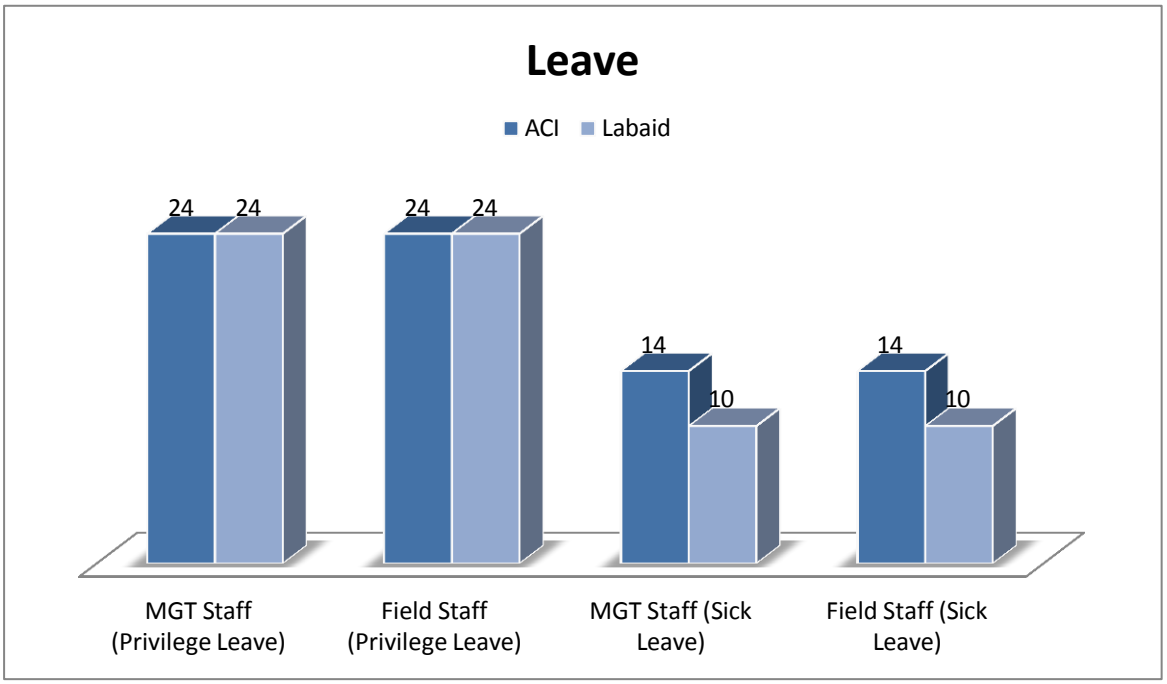


Figure 10: Leave entitlement of ACI & LABAID

Sucre: ACI & LABAID

The above graph shows that the comparison of leave entitlement between ACI and LABAID are almost same. But have some differences. Those differences are; ACI entitled their privilege leave for management level for 24 calendar days. LABAID also entitled as the same way. ACI entitled sick leave for their management level for 14 calendar days. LABAID entitled sick leave for their management level for 10 calendar days. ACI entitled sick leave for their worker level for 14 days. LABAID entitled their sick for worker level for 10 calendar days. Privilege leave is entitled by the labor act 2006. So ACI and LABAID follow the labor act. So they fixed their leave according to the labor act. So above those are the main differences between these two companies. Their differences are almost same in privilege leave but differences shows in sick leave. Every organizations of Bangladesh are bound to follow the labor act 2006. So they cannot entitle the privilege leave for their staffs as like they want. They have to go through the rules of labor act.

6.7 Gratuity:

ACI	LABAID
On completion of 8 years of service & having not completed 12 years' service	On completion of 5 years of service & having not completed 10 years' service

Table 10: Gratuity comparison between ACI & LABAID

The above graph shows that ACI approve gratuity when their employees are service has completed with 8 years but having not completed 12 years. The employee of ACI has to be completed at list 8 years then they will be entitled for the gratuity. On the other hand LABAID approve the gratuity for their employee when the employee has completed at least 5 years but not having 10 years. Then the employee will be entitled for the gratuity. The amount of gratuity of those two companies varies by years of completion. Such as for ACI staffs on completion of 8 years of service the employees will get at least half month's basic salary for each completed year of service. On the other hand LABAID provide same rate or percentage of amount but for 5 years of completion. For ACI on completion of 12 years of service then they will get 1 month basic salary for each completed years of service. For LABAID on completion of 16 years of service employees will get 2 months of basic salary for each completed year of service. On the other hand LABAID on completion of 14 years of service the LABAID employee will get one and half month of basic salary for each completed year of service. That's all are the differences between these two companies.

6.8 Performance bonus:

ACI	LABAID
Yearly performance bonus 50% of basic	Yearly performance bonus 45% of basic

Table 11: Performance bonus

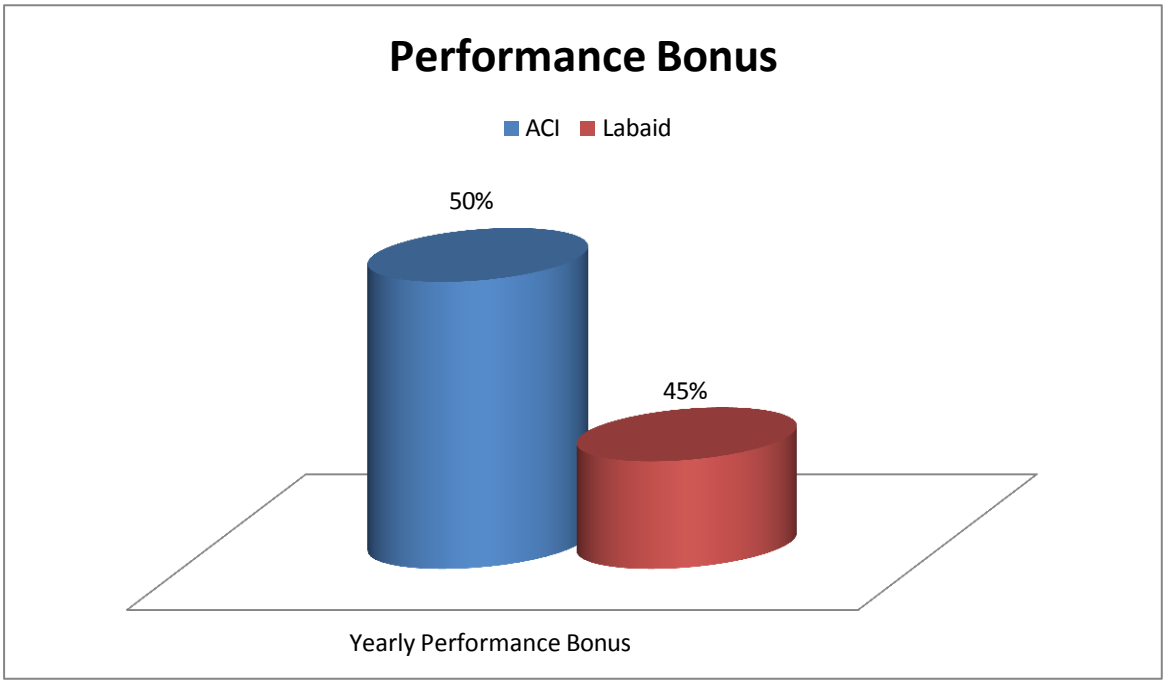


Figure 11: Worker's performance bonus

Sucre: Performance bonus

ACI provide 50% percent of basic salary for their worker level employees who are paid for hourly basis whereas LABAID provide 45% of basic salary. In this sector ACI provides more than LABAID. Performance bonus increase workers work speed. It enhances individuals working power, capacity etc. it also motivate the workers to produce more products than before. So bonus is a crucial part for the company. Specially "yearly performance bonus".

Chapter 7

Findings, Recommendations and Conclusion

7.1 Findings:

- ACI does not provide satisfactory benefit packages to their worker level employees. As a result workers do not serve level best.
- LABAID provides leave fair allowance which is too much poor. For that reason it creates conflict in employees mind.
- ACI discourage loan for the employees. They provide loan against employees' salary. And also provide in some special cases.
- ACI compensation related benefits and packages are not sufficient.
- Most of the employees are dissatisfied with the TA/DA offered by ACI.
- In the analysis it has seen that most of the employees are dissatisfied with the insurance coverage offered by ACI to them.
- ACI Limited only provides the group insurance facility but does not provide any individual insurance facility.
- From the analysis I found that ACI pension/ retirement plan is average.
- With the organization's current salary structure, maximum amount of the employees are dissatisfied.
- Executives are most valuable person for the organization. But LABAID provides only twenty percent leave fair allowance for their executive. This is not a satisfactory amount.
- LABAID provides only thirty percent house rent allowance for their worker level employee. That not sufficient for an employee to survive in this generation.
- ACI has no employed doctors who provide their service for the employee every week.
- LABAID's maximum workers level employees are unaware of company's compensation policies.
- LABAID's loan facility is too liberal.
- ACI has no mobile facility for their employees.

7.2 Recommendations:

1. ACI should put more concentration on TA/DA which offered to their employees.
2. ACI should provide effective/acceptable insurance coverage to their employees.
3. ACI Limited should also provide individual insurance benefit along with group insurance.
4. ACI's pension/ retirement plan should be modified in favor of their employees.
5. ACI may increase current salary structure of their employees.
6. The Human Resources Management system of LPL is up to mark. But the management authority needs to look some major issues like compensation policies, allowances and transfer policies. LPL needs more man power for handling its huge volume of employee.
7. Temporary employees at LPL do not have the security and stability that permanent employees have. They should be provided with little health care, pensions or other similar benefits. LPL should also set a production; distribution and sales target and any employee belonging to the particular area reaching a desired target in the first quarter should be selected as a permanent employee.
8. At LPL teamwork is given immense importance as the management realizes the fact that the only way to attain and to confirm a high standard is by working likes a well -knit unit. Thus it is imperative that Tapas should have an effective performance appraisal system, which fosters teamwork.
9. LPL has devised a very comprehensive performance appraisal program in which each employee is given objectives against which his/her performance will be evaluated. For the setting up of these objectives with its work force, the company utilized Management by Objectives. The way these objectives are set is through mutual agreement, where the employees are told exactly what is required of them, how they will be evaluated against each of their objectives and what will be the reward in case if the objectives are met or exceeded.

7.3 Conclusion:

This study research has been focused on the compensation system, practiced by one Pharmaceuticals Company of Bangladesh. There are some components that are taken into consideration during pay in our country, but it varies significantly among companies regarding pay. It could have been better, if we might have worked with more different companies. Here in our study we have worked with only one type of company. In our study we have tried to focus on the pay differences, possible reasons of using different pay components used by the company in our country. Finally, we came up with some recommendations, which can be used for the company so that they can perform better.

ACI and LABAID Limited are the leading conglomerates in Bangladesh, with a multinational heritage. In BD ACI and LABAID Limited have been doing corporate business and soundly maintaining social responsibilities. The agenda of these companies earning profit, creating job opportunity, though trade and commerce. Achievement of ACI and LABAID Limited are beyond description. Maintaining Government rules and regulations ACI and LABAID always try to contribute on national G.D.P and G.N.P. not only local business but also internationally. ACI and LABAID follow most of the compensation practices and policy. They always try to contribute to employee satisfaction and given to employees all types of compensation benefits. It has always been a dream to be able to work for a highly reputed company and my dream was fulfilled for two months as I was conducting my dissertation report on ACI Limited. It has been an amazing experience for me as I completed my dissertation report from such those incredible organization. I am actually involved in real time projects where my inputs and contributions are highly appreciated and necessary. During my dissertation, I was exposed to many works which I never thought of even doing. As I have Human Resource Management as my major so working under the department of HRM was really great to me. Therefore I must acknowledge the fact that there are countless number of things that I learnt during making my dissertation about how the companies operates, its day to day activities, problems that occur every day and how to resolve them effectively and efficiently. No matter where I work, I'm confident that I will be able to apply my learning and knowledge in any organization.

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