

# Compensation and Reward Management within Domestic & International Airlines

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## Abstract

The airline industry's Compensation and Reward Management play a crucial role in attracting, motivating, and retaining a skilled and engaged workforce. This paper provides an in-depth analysis of the Compensation and Reward strategies employed by three prominent airlines: Jet Airways, Emirates, and United Airlines. It explores the advantages of effective Compensation and Reward policies, such as enhancing job satisfaction, motivating employees, and reducing absenteeism and turnover. The paper highlights the types of compensation, including monetary and non-monetary benefits, offered by these airlines. It examines how travel passes, profit-sharing plans, on-time bonuses, and other perks contribute to employee satisfaction and loyalty. Additionally, case studies of each airline's Compensation and Reward Management provide valuable insights into their unique approaches to employee rewards. Furthermore, the paper compares and contrasts the Compensation and Reward policies among the airlines, identifying similarities and differences in their offerings. The impact of these Management on employee satisfaction and retention is assessed, providing valuable lessons for other industry players. The organizational place of Compensation and Reward within the airlines' HR function is explored, along with the internal and external influences shaping their policies. Challenges and future trends in Compensation and Reward are analyzed, including addressing employee expectations, adapting to the changing industry landscape, and leveraging technological innovations to enhance HR processes.

**Keywords:** Compensation and reward, Airline industry, Employee satisfaction, Human resources, Employee retention, Travel passes, Profit sharing, Organizational culture, HR technology, Remote work, Employee well-being

## 1. Introduction

### 1.1 Overview of Compensation and Reward

Compensation and Reward are critical components of human resource management that encompass the rewards and incentives provided to employees in exchange for their services and contributions to the organization. In the context of the airline industry, compensation refers to the monetary and non-monetary rewards offered to airline employees, including pilots, cabin crew, ground staff, and other personnel, while benefits include additional perks and privileges designed to enhance the overall employee experience.

### 1.2 Importance of Compensation and Reward in the Airline Industry

The airline industry is a highly competitive and dynamic sector, where skilled and motivated employees play a crucial role in ensuring operational efficiency and customer satisfaction. Effective Compensation and Reward

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strategies are essential for attracting and retaining top talent, promoting employee morale, and fostering a positive work culture. Airlines must offer attractive compensation packages and a range of benefits to create a compelling value proposition for prospective and existing employees.

In this context, Compensation and Reward have several key implications for the airline industry:

- 1. Talent Attraction:** To stay ahead of competitors, airlines must attract skilled individuals who can perform efficiently and deliver exceptional customer service. Competitive Compensation and Reward packages act as powerful magnets for attracting talented individuals to join the airline's workforce.
- 2. Employee Retention:** High turnover rates can disrupt operations and increase recruitment costs. Offering attractive Compensation and Reward not only entices employees to stay with the company but also strengthens their commitment and loyalty.
- 3. Motivation and Productivity:** Well-structured Compensation and Reward plans can motivate employees to perform at their best and increase overall productivity. Recognition of employees' efforts through rewards and incentives fosters a sense of achievement and drives continued dedication to their roles.
- 4. Employee Satisfaction:** Satisfied employees are more likely to provide better customer service and maintain a positive attitude towards their work. Adequate compensation and comprehensive benefits contribute to higher job satisfaction levels among airline employees.

### 1.3 Purpose of the Paper

The primary purpose of this paper is to examine the Compensation and Reward Management within the airline industry, focusing on major players such as Jet Airways, Emirates, and United Airlines. By exploring the various components of Compensation and Reward offered by these airlines, we aim to gain insights into the strategies they employ to attract, retain, and motivate their workforce. Additionally, the paper will analyze the advantages of these Compensation and Reward programs and their impact on employee satisfaction, retention, and overall organizational success.

Furthermore, the paper will delve into the organizational context of Compensation and Reward within airlines, understanding their placement within the HR function and the key internal and external influencers shaping these Management. The study will also explore the challenges faced by the industry in designing effective Compensation and Reward programs and identify potential future trends that may impact the landscape of employee rewards in the airline industry.

Through this comprehensive analysis, we seek to offer valuable recommendations and insights that can help airlines optimize their Compensation and Reward strategies to better meet the needs of their workforce, enhance employee engagement, and achieve sustainable growth in the competitive airline industry.

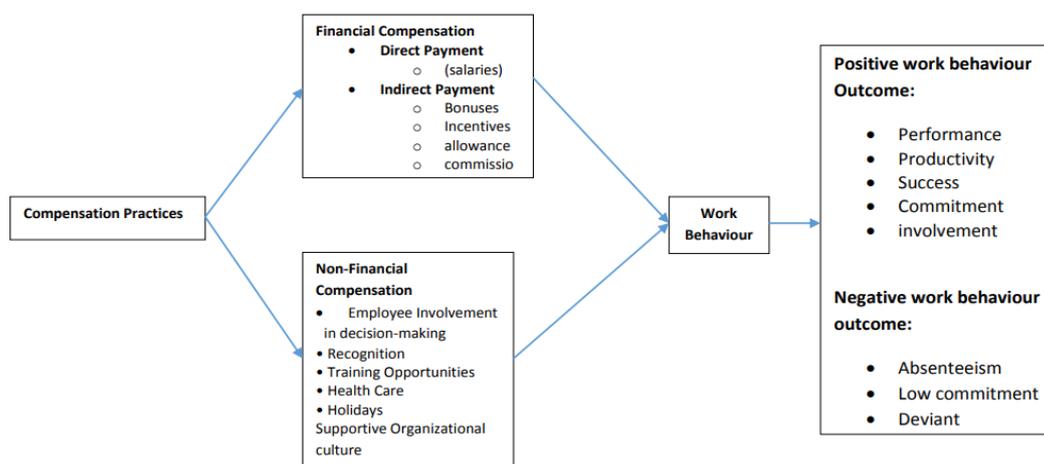


Fig. 1 Conceptual Framework

## **1.4 Conceptual Clarifications**

### ***A. Compensation Management and Rewards***

Compensation Management, including financial and non-financial benefits, are the mainstay of all policies related to the recruitment and utilization of resources in an organization (Bana, 2019). They encompass various forms of rewards provided to employees in exchange for their services and contributions towards organizational goals (Ting, 2010). Rewards play a crucial role in attracting, retaining, and motivating employees, ultimately contributing to the achievement of strategic objectives (Ahmed, 2016).

According to the American Compensation Association (1995), "compensation is the cash and non-cash remuneration provided by an employer for services rendered." It encompasses direct financial rewards like salaries and indirect rewards such as bonuses, incentives, allowances, and commissions (Idris et al., 2017). Additionally, compensation includes non-financial rewards, which are equally essential for employee satisfaction and motivation. Non-financial rewards encompass employee involvement in decision-making, recognition, training opportunities, health care, and holidays (Haimi et al., 2016).

### ***B. The Importance of Financial and Non-Financial Rewards***

#### ***Financial Compensation and Rewards***

Financial rewards are seen as a strategic tool to support organizational goals and enhance growth (Kee et al., 2016). They serve as motivators to attract and retain talented employees, recognizing their performance and contributions (Ahmad et al., 2013). Direct financial compensation includes wages, salaries, bonuses, and commissions, while indirect financial compensation consists of benefits like insurance, pension plans, and allowances (Idris et al., 2017).

#### ***Non-Financial Compensation and Rewards***

Non-financial rewards are equally significant in satisfying employees and promoting their engagement (Nzyoka & Orwa, 2016). Employee recognition is a powerful non-financial reward that involves acknowledging and appreciating their efforts. Public recognition, such as awards ceremonies, boosts employee morale and fosters a sense of achievement (Ray & Ray, 2011). Other non-financial rewards include gift cards, remote work options, saying "thank you," stock options, tuition reimbursement, branded items, catered lunches, concert tickets, and professional development opportunities (Llanos & Ahmad, 2017).

#### ***The Impact of Rewards on Employee Behavior and Performance***

Rewards significantly influence employee behavior and performance (Motowidlo, 2003). When employees are rewarded for their positive work behavior, they are more likely to repeat it (Osibanjo et al., 2014). Financial rewards can enhance employee motivation, job satisfaction, and commitment to the organization (Rast & Tourani, 2012). Non-financial rewards, such as recognition and professional development opportunities, create a sense of appreciation and personal growth, contributing to employee loyalty and productivity (Hettiararchchi & Jayarathna, 2014).

Compensation Management encompasses both financial and non-financial rewards, which are vital for attracting, retaining, and motivating employees. Financial compensation, including direct and indirect rewards, serves as a strategic tool to support organizational objectives. On the other hand, non-financial rewards, like employee recognition and professional development opportunities, play a significant role in fostering employee satisfaction and engagement. By effectively implementing a comprehensive rewards system, organizations can create a positive work environment that drives employee performance and promotes organizational success.

## **2. Advantages of Compensation and Reward**

### **2.1 Enhancing Job Satisfaction**

Effective Compensation and Reward play a significant role in enhancing job satisfaction among employees in the airline industry. When employees feel adequately rewarded for their efforts and contributions, they are more likely to experience higher levels of job satisfaction. A well-designed compensation package that includes competitive salaries, performance-based bonuses, and non-monetary benefits such as travel privileges or health insurance can create a positive perception of the organization as a caring and supportive employer. As a result, satisfied employees are more engaged, committed, and willing to go the extra mile to deliver exceptional service to customers.

### **2.2 Motivating Employees**

Compensation and Reward serve as powerful motivators for employees in the airline industry. Monetary rewards, such as performance-based bonuses or incentives tied to achieving key performance indicators, can inspire employees to strive for excellence and achieve organizational goals. Additionally, non-monetary benefits, such as career development opportunities, flexible work arrangements, or recognition programs, contribute to employee motivation by fulfilling their intrinsic needs for growth, work-life balance, and recognition. A motivated workforce is more likely to display higher levels of enthusiasm, productivity, and dedication to their roles, positively impacting the overall performance of the airline.

### **2.3 Reducing Absenteeism and Turnover**

A well-structured Compensation and Reward package can significantly reduce absenteeism and turnover rates in the airline industry. When employees feel valued and adequately rewarded, they are more likely to have a sense of commitment and loyalty to the organization. This leads to lower absenteeism rates as employees are more motivated to come to work regularly. Moreover, a comprehensive benefits package, such as health and wellness programs or family-friendly policies, can contribute to the overall well-being of employees, reducing the likelihood of absenteeism due to health-related issues.

Furthermore, attractive Compensation and Reward are instrumental in retaining talent within the airline industry. High turnover rates can be costly in terms of recruitment, training, and lost productivity. By offering competitive compensation, growth opportunities, and a positive work environment, airlines can create a sense of stability and job security, reducing the temptation for employees to seek opportunities elsewhere.

### **2.4 Attracting and Retaining Talent**

In the highly competitive airline industry, attracting and retaining top talent is essential for sustained success. An attractive Compensation and Reward package is a critical factor in enticing skilled professionals to join the airline's workforce. Competitive salaries, performance-based bonuses, and unique benefits, such as discounted travel or comprehensive healthcare, can set the airline apart as an employer of choice in the industry.

Furthermore, a reputation for providing generous compensation and employee benefits can enhance the airline's employer brand, making it more appealing to prospective candidates. In turn, this positive perception helps in attracting high-caliber talent, ultimately contributing to the airline's ability to maintain a skilled and dedicated workforce.

In conclusion, the advantages of a well-designed Compensation and Reward program in the airline industry are manifold. They not only enhance job satisfaction and motivation but also lead to reduced absenteeism and turnover. Additionally, such programs play a crucial role in attracting and retaining top

talent, positioning the airline as an employer of choice in the competitive aviation sector. By prioritizing employee well-being and recognizing their contributions through comprehensive rewards, airlines can create a motivated and engaged workforce, driving overall organizational success.

### 3. Types of Compensation and Reward in the Airline Industry

#### 3.1 Monetary Compensation

##### *Guaranteed Pay*

Guaranteed pay in the airline industry refers to the fixed monetary rewards provided to employees based on their employment contract or collective agreements. The most common form of guaranteed pay is the basic salary, which is usually paid on a regular schedule, such as hourly, daily, weekly, bi-weekly, or monthly. The basic salary serves as the foundation of an employee's compensation and is typically used for day-to-day expenses and financial stability.

Different job roles within the airline industry may have varying levels of guaranteed pay, depending on factors such as experience, skills, and job responsibilities. Government regulations or labor laws in different countries often stipulate minimum wage requirements to ensure fair compensation for all employees, including those in the airline industry.

##### *Variable Pay*

Variable pay is another form of monetary compensation offered to airline employees, which is contingent upon specific performance outcomes or results achieved. This type of pay is not fixed and may vary based on individual or team performance, business performance, or other predetermined criteria.

**a. Bonuses:** Bonuses are a common form of variable pay in the airline industry, where employees receive additional financial rewards based on their performance or achievements. Bonuses may be linked to individual performance, team performance, or company-wide performance targets.

**b. Sales Incentives:** For roles in the sales or revenue generation departments, sales incentives are often provided to motivate employees to achieve sales targets and contribute to the airline's overall profitability. Sales incentives may be based on the number of tickets sold, cargo volume handled, or other revenue-generating metrics.

**c. Overtime Pay:** Employees working in operational roles, such as pilots or cabin crew, may receive overtime pay for additional hours worked beyond their regular schedule. Overtime pay compensates employees for the extra effort and time invested in serving passengers or ensuring smooth flight operations.

**d. Performance Linked Incentives:** Performance-linked incentives are variable pay schemes that are directly tied to an individual's Key Result Areas (KRAs) or performance objectives. Based on their performance evaluation, employees receive a percentage of their target incentive, which may range from 130% for exceptional performance to 0% for unsatisfactory performance.

Variable pay is often seen as a way to align employee efforts with organizational goals, as it provides a direct link between individual performance and financial rewards. It can be an effective tool for motivating employees to strive for excellence and contribute to the overall success of the airline. However, it requires careful planning and transparent performance evaluation processes to ensure fairness and prevent potential issues related to favoritism or subjective judgments.

## **3.2 Non-Monetary Benefits**

Non-monetary benefits are an essential aspect of Compensation and Reward packages in the airline industry. These benefits go beyond direct financial rewards and play a crucial role in enhancing the overall well-being and job satisfaction of employees. Here are some common non-monetary benefits offered by airlines:

### **3.2.1 Travel Passes**

A significant perk in the airline industry is the provision of travel passes for employees and their immediate family members. These passes allow employees and their families to enjoy reduced-rate or complimentary air travel on the airline's flights, subject to seat availability. Travel passes enable employees to explore new destinations and enjoy leisure travel opportunities, enhancing their work-life balance and overall job satisfaction.

### **3.2.2 Profit Sharing Plan**

Many airlines have profit-sharing plans in place to distribute a portion of the company's profits among employees. When the airline performs well and achieves financial success, employees become eligible to receive a share of the profits. Profit-sharing plans create a sense of ownership and alignment with the company's success, motivating employees to work collaboratively to achieve organizational goals.

### **3.2.3 On-Time Bonus**

Airlines often have on-time performance goals to maintain punctuality and deliver a seamless travel experience to passengers. Employees who contribute to achieving on-time flight departures and arrivals may receive cash bonuses as recognition for their efforts in maintaining operational efficiency.

### **3.2.4 Perfect Attendance Program**

Perfect attendance recognition programs are designed to reward employees who maintain a record of continuous attendance without any unscheduled absences. Such programs incentivize employees to prioritize attendance and punctuality, reducing absenteeism and promoting a positive work culture.

### **3.2.5 Retirement Benefits**

Airlines typically offer retirement benefits such as a 401(k) savings plan, pension plans, or provident funds to help employees plan for their financial security after retirement. Employees can contribute a portion of their earnings to these retirement plans, and the airline may also contribute a matching amount, thus encouraging employees to save for their future.

### **3.2.6 Vacation and Sick Pay**

Paid vacation and sick leave are crucial benefits that support employees' work-life balance and overall well-being. Employees can take paid time off to rest, rejuvenate, or attend to personal matters without sacrificing their income.

### **3.2.7 Business Travel Accident Insurance**

Business travel accident insurance provides coverage to employees for any accidents or injuries that may occur while they are traveling for work-related purposes. This insurance offers financial protection and peace of mind to employees during business travel.

### **3.2.8 Medical and Dental Insurance**

A comprehensive medical and dental insurance plan is often provided to employees and their families. This benefit ensures that employees have access to medical and dental care, promoting their health and wellness.

### 3.2.9 Vision Insurance

Vision insurance covers eye-related expenses, such as eye exams, glasses, or contact lenses, promoting the overall health and well-being of employees.

### 3.2.10 Long-Term Disability Plan

Long-term disability plans provide financial protection to employees in the event of a long-term illness or disability that prevents them from working. This benefit ensures that employees have financial support during challenging times.

### 3.2.11 Life Insurance

Life insurance is often offered to employees, providing financial protection to their families in case of an employee's untimely demise.

Non-monetary benefits are instrumental in attracting and retaining talented employees in the airline industry. They contribute to a positive work environment, enhance employee satisfaction, and demonstrate the airline's commitment to the well-being of its workforce. Combining both monetary and non-monetary benefits ensures a comprehensive Compensation and Reward package that supports employee engagement, productivity, and overall organizational success.

Compensation Management in organizations go beyond monetary rewards and encompass various non-financial benefits that contribute to employee satisfaction and engagement. Some of these Management include:

- 1. Employee Recognition:** Acknowledging and appreciating employees' hard work and achievements through verbal praise or written commendations can boost morale and motivation.
- 2. Public Recognition:** Recognizing employees' accomplishments in front of their peers or the entire organization can create a sense of pride and encourage further contributions.
- 3. Gift Cards:** Providing employees with gift cards to their favorite stores or restaurants as a reward for their efforts can be a thoughtful and personalized gesture.
- 4. Remote Workday:** Offering the opportunity for employees to work from home or have a flexible remote workday can enhance work-life balance and job satisfaction.
- 5. Saying Thank You:** A simple and sincere "thank you" from managers or colleagues can have a powerful impact on employee motivation and loyalty.
- 6. Stock Options:** Granting employees the option to purchase company stock at a discounted price can align their interests with the organization's success and create a sense of ownership.
- 7. Tuition Reimbursement:** Supporting employees' continuous learning and professional growth through tuition reimbursement programs demonstrates a commitment to their development.
- 8. Branded Items:** Providing employees with branded merchandise, such as company apparel or accessories, can foster a sense of belonging and pride in the organization.
- 9. Catered Lunch:** Organizing occasional catered lunches or team-building meals can promote camaraderie among employees and show appreciation for their hard work.
- 10. Concert Tickets:** Offering tickets to concerts, sporting events, or other entertainment activities as rewards can be an exciting and enjoyable incentive.
- 11. Professional Development:** Providing opportunities for employees to attend workshops, conferences, or training sessions to enhance their skills and knowledge can be highly motivating.
- 12. Health and Wellness Programs:** Implementing wellness initiatives, such as gym memberships or meditation sessions, can contribute to employees' overall well-being and job satisfaction.
- 13. Flexible Work Hours:** Allowing employees to have flexible work hours or compressed workweeks can enhance work-life balance and improve job satisfaction.

These non-financial compensation Management, combined with competitive financial benefits, create a comprehensive and appealing compensation package that attracts and retains talented employees while fostering a positive and productive work environment.

## **4. Case Studies**

### **4.1 Jet Airways Compensation and Reward**

Jet Airways, a prominent airline in the industry, offers a comprehensive Compensation and Reward package to its employees. The company's compensation structure includes both monetary and non-monetary benefits to attract and retain skilled aviation professionals.

#### *Monetary Compensation:*

- **Guaranteed Pay:** Jet Airways provides a competitive base salary to its employees based on their job roles, experience, and performance. This fixed pay serves as a stable income source for employees.
- **Variable Pay:** The airline offers performance-linked incentives and bonuses to motivate employees to excel in their roles. These variable pay components are linked to individual and team performance, driving a culture of high performance.

#### *Non-Monetary Benefits:*

- **Staff Travel Authority:** Jet Airways grants free tickets for air travel within India to employees who have completed five years of regular service. Superannuating employees receive two tickets per year for life, covering them and their spouses.
- **Medical Benefits:** The airline provides comprehensive medical insurance, covering employees and their family members, including parents. This coverage includes pre-existing conditions and maternity benefits.
- **Group Term Life Insurance:** Jet Airways offers life insurance coverage to its employees, providing financial protection to their families in case of unfortunate events.
- **Company Car:** Employees in senior positions receive fully maintained cars, while others may receive car allowances for repairs and maintenance.

### **4.2 Emirates Compensation and Reward**

Emirates, a renowned global airline, places a strong emphasis on employee Compensation and Reward to attract and retain top talent in the industry. The airline's Compensation and Reward package is designed to offer competitive rewards and a positive work experience.

#### *Monetary Compensation:*

- **Competitive Tax-Free Basic Salary:** Emirates provides its employees with a tax-free base salary, benchmarked against relevant industries to ensure competitiveness.
- **Accommodation and Transportation:** The airline offers shared accommodation with private bedrooms for cabin crew members, ensuring comfortable living arrangements. Employees also receive transportation to and from the airport.

#### *Non-Monetary Benefits:*

- **Travel Passes:** Emirates offers travel passes to employees and their immediate family members, allowing them to enjoy reduced-rate travel on the airline's flights, encouraging exploration and work-life balance.
- **Profit Sharing Plan:** The airline operates a profit-sharing scheme, distributing a portion of the company's profits among employees, fostering a sense of ownership and motivation.

- Retirement Benefits: Emirates provides retirement benefits, including a 401(k) savings plan and a Provident Scheme to help employees plan for their financial security after retirement.

### 4.3 United Airlines Compensation and Reward

United Airlines, a major carrier in the United States, prioritizes Compensation and Reward to attract and retain a skilled and dedicated workforce. The company offers a range of rewards and perks to ensure employee satisfaction and engagement.

#### Monetary Compensation:

- Competitive Salaries: United Airlines provides competitive salaries to its employees, considering factors such as job roles, experience, and market standards.
- Profit Sharing Plan: The airline shares its success with employees through a profit-sharing plan, allowing them to benefit from the company's financial performance.

#### Non-Monetary Benefits:

- Travel Passes: United Airlines offers travel passes to employees and their immediate family members, allowing them to travel at reduced rates on the airline's flights.
- Retirement Benefits: The airline provides retirement benefits such as a 401(k) Savings plan, empowering employees to plan for their financial future.
- Medical and Dental Insurance: United Airlines offers comprehensive medical and dental insurance plans to employees and their families, promoting their health and well-being.
- Vacation and Sick Pay: United employees can take advantage of paid vacation and sick leave to maintain work-life balance and address personal needs.
- Life Insurance and Disability Plan: United Airlines provides life insurance and disability plans to employees, ensuring financial protection in times of need.

The Compensation and Reward packages of these airlines play a crucial role in attracting, motivating, and retaining their workforce, ultimately contributing to the success of their operations and customer satisfaction.

## 5. Comparison of Compensation and Reward Management

### 5.1 Similarities among the Airlines

Aspect of Compensation & Benefits	Similarities
Guaranteed Pay	Provided by all airlines as a basic salary component
Medical Benefits	All airlines offer comprehensive medical insurance for employees and their families
Retirement Benefits	All airlines provide retirement savings plans, such as a 401(k) or Provident Scheme
Travel Passes	Employees and their immediate family members enjoy reduced-rate air travel on all airlines
Profit Sharing	All airlines share their profits with employees through profit-sharing plans
Non-Monetary Incentives	All airlines offer additional perks like on-time bonuses, perfect attendance recognition, etc.

## 5.2 Differences in Compensation and Reward Offered

Aspect of Compensation & Benefits	Jet Airways	Emirates	United Airlines
Staff Travel Authority	Provided, subject to service tenure	Provided for employees and their dependents	Travel passes available for employees and their eligible family members
Group Term Life Insurance	Provided for employees only	Provided for all employees	Provided for all employees
Company Car	Provided for employees in senior positions or as car allowance	Not specified	Not specified
Vision Insurance	Not specified	Provided for employees	Not specified
Long-Term Disability Plan	Not specified	Provided for more senior positions	Not specified
Business Travel Accident Insurance	Not specified	Provided immediately for all employees	Not specified

## 5.3 Impact on Employee Satisfaction and Retention

The differences in Compensation and Reward Management among the airlines can have varying impacts on employee satisfaction and retention:

Employee Satisfaction:

- Robust medical and retirement benefits offered by all airlines contribute to employee satisfaction, providing security and peace of mind.
- Non-monetary benefits like travel passes and profit-sharing plans are likely to enhance job satisfaction by offering unique opportunities and rewarding employees' contributions to the company's success.
- The provision of additional benefits like vision insurance, disability plans, and business travel accident insurance can further improve overall employee well-being and job satisfaction.

Employee Retention:

- Airlines that provide more attractive benefits, such as comprehensive medical coverage for families or generous profit-sharing plans, are likely to have higher employee retention rates.
- Non-monetary benefits like travel passes and perfect attendance recognition can increase employee loyalty and commitment to the company.
- Offering additional perks like company cars or vision insurance may give an airline a competitive edge in retaining skilled employees.

Overall, a well-balanced Compensation and Reward package that aligns with employees' needs and industry standards will positively impact employee satisfaction and retention across all airlines. By continually reviewing and adjusting these Management, airlines can maintain a motivated and dedicated workforce, ensuring their continued success in the competitive airline industry.

## 6. Organizational Place of Compensation and Reward

### 6.1 HR Function and Role

The Compensation and Reward function in the airline industry is a vital component of the overall Human Resources (HR) department. HR is responsible for managing the entire employee lifecycle, from recruitment to retirement, and Compensation and Reward plays a significant role in attracting, motivating, and retaining a skilled and engaged workforce. The specific role of the Compensation and Reward function includes:

- **Designing Compensation Structures:** Compensation and Reward professionals develop and implement competitive compensation structures that align with industry standards and reward employees based on their roles, experience, and performance.
- **Administering Employee Benefits:** They manage various benefit programs, such as medical insurance, retirement plans, travel passes, and other non-monetary perks, ensuring that employees receive these entitlements as per company policies.
- **Conducting Market Research:** Compensation and Reward professionals regularly conduct market surveys and benchmarking to stay updated with industry trends and ensure the airline's Compensation and Reward remain competitive.
- **Performance Management:** The Compensation and Reward function often collaborates with performance management teams to link employee performance to variable pay components like bonuses and incentives.
- **Compliance and Regulations:** Compensation and Reward professionals ensure that the airline's Compensation and Reward policies comply with labor laws and regulations to avoid any legal issues.

## **6.2 Influencers of Compensation and Reward Policies**

Internal Influencers:

- **Business Objectives:** Compensation and Reward policies are aligned with the airline's overall business goals. For example, if the company aims to increase revenue and customer satisfaction, the Compensation and Reward policies may include performance-based incentives for employees in customer-facing roles.
- **Organizational Culture:** The airline's culture plays a significant role in shaping Compensation and Reward policies. Companies with a culture focused on employee well-being and work-life balance may offer more flexible benefits and vacation policies.
- **Labor Unions:** In unionized environments, labor unions negotiate on behalf of employees to secure fair Compensation and Reward, influencing the Compensation and Reward policies.
- **Organizational Structure:** The airline's organizational structure can impact how compensation is determined, such as centralized or decentralized decision-making.

External Influencers:

- **Labor Law:** Labor laws and regulations imposed by government authorities dictate the minimum requirements for employee compensation, benefits, and working conditions.
- **Industry Trends:** Compensation and Reward professionals closely monitor industry trends to ensure their airline remains competitive in attracting and retaining talent. They may adjust policies based on what competitors offer.
- **Economic Conditions:** The state of the economy, inflation rates, and other economic factors can influence the company's ability to offer competitive Compensation and Reward.
- **Relevant Labor Market:** The availability of skilled labor and the demand for certain job roles in the market can impact the compensation packages offered by the airline.

By considering both internal and external influencers, the Compensation and Reward function can develop effective and attractive Compensation and Reward policies that support the airline's strategic objectives and create a positive work environment for employees.

## **7. Challenges and Future Trends in Compensation and Reward in the Airline Industry**

### **7.1 Addressing Employee Expectations and Demands**

**1. Work-Life Balance:** Employees in the airline industry often face irregular schedules and long hours. Addressing their expectations for a better work-life balance can be a challenge. Airlines may need to offer more flexible working arrangements, such as remote work options, compressed workweeks, or job-sharing.

2. *Personalized Benefits:* Employees increasingly expect personalized benefits packages that cater to their individual needs and preferences. Airlines will need to offer a diverse range of benefits options, allowing employees to customize their compensation packages to suit their unique circumstances.

3. *Mental Health Support:* With the demanding nature of the airline industry, mental health support becomes crucial. Airlines may need to expand their employee assistance programs to include counseling services and stress management resources.

## **7.2 Adapting to Changing Industry Landscape**

1. *Cost Pressures:* The airline industry is highly competitive, and airlines often face cost pressures. Balancing competitive Compensation and Reward while maintaining profitability can be a challenge. Airlines may need to explore creative cost-saving measures without compromising employee satisfaction.

2. *Shifting Labor Market:* The demand for skilled workers in certain job roles may fluctuate in response to industry changes. Airlines must stay agile in their compensation strategies to attract and retain talent in critical roles and adjust compensation packages accordingly.

3. *Gig Economy Impact:* The rise of the gig economy and freelance work may impact the traditional workforce in the airline industry. Airlines may need to consider how to integrate gig workers into their Compensation and Reward policies.

## **7.3 Embracing Technological Innovations**

1. *Digitization of HR Processes:* Technology can streamline HR processes, making Compensation and Reward administration more efficient. Airlines should invest in HR technology solutions to handle tasks such as payroll processing, benefits enrollment, and data analytics.

2. *AI and Data Analytics:* Artificial Intelligence and data analytics can provide valuable insights into employee preferences and performance. Airlines can use this data to tailor Compensation and Reward offerings and identify areas for improvement.

3. *Remote Work and Virtual Collaboration:* The COVID-19 pandemic accelerated the adoption of remote work in the airline industry. Airlines may need to reassess their compensation packages to account for remote work arrangements and consider virtual collaboration tools to maintain employee engagement.

4. *Employee Well-Being Apps:* Airlines may explore using mobile apps and digital platforms to promote employee wellness and provide access to health and wellness resources.

By proactively addressing these challenges and embracing future trends, airlines can develop robust and attractive Compensation and Reward packages that not only meet employee expectations but also support the company's long-term success in the dynamic airline industry.

## **8. Conclusion**

In conclusion, effective Compensation and Reward policies are crucial for the success of airlines. They enhance job satisfaction, motivate employees, and reduce turnover. By offering competitive compensation and enticing benefits, airlines can attract and retain top talent, leading to improved performance and customer service. To enhance Compensation and Reward Management, airlines should prioritize employee

well-being, embrace flexibility, and leverage HR technology. By focusing on employee satisfaction and adapting to industry trends, airlines can cultivate a motivated and engaged workforce, ensuring their long-term growth and success.

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The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

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