

A Study on Payroll Processing and Employee Satisfaction in Construction Industry

Mrs. S. Prabhavathi

Assistant Professor - Department of Management Studies, Jai Shriram Engineering College, Dharapuram Road,
Avinashipalayam, Tirupur - 638 660, Tamil Nadu, India

Theneesh,D ,Hariharan.R, Sangavi.K, SathyaPriya.B, Menaka.S

MBA, Department Of Management Studies, Jai Shriram Engineering College, Tirupur. Dharapuram Road,
Avinashipalayam, Tirupur - 638 660, Tamil Nadu, India

ABSTRACT

Payroll processing is a fundamental function in any organization, as it directly influences employees' financial stability, job satisfaction, and overall performance. It involves a series of structured activities such as maintaining employee records, monitoring attendance, calculating wages, processing overtime, and applying statutory deductions including Provident Fund (PF), Employee State Insurance (ESI), and income tax. In addition to these, payroll also includes bonuses, incentives, and other employee benefits. In labour-intensive industries like construction, payroll processing becomes more complex due to the presence of a diverse workforce, varying wage structures, and multiple project locations. Employees may include permanent staff, contract labourers, and daily wage workers, each requiring different methods of payment and calculation. This study aims to analyze payroll processing practices and their impact on employee satisfaction in URC Construction Private Limited. The research adopts a descriptive design and collects primary data from 146 employees using a structured questionnaire. Secondary data is obtained from books, journals, and company records. Statistical tools such as percentage analysis, regression, ANOVA, and Chi-square are used for data analysis. The study finds that payroll factors such as salary timing, accuracy, transparency, overtime payment, and HR support significantly influence employee satisfaction. However, issues such as delays in salary, lack of clarity in payslips, and ineffective grievance handling reduce employee trust. The study concludes that improving payroll systems through automation, transparency, and communication can enhance employee satisfaction and organizational efficiency.

KEYWORDS- Payroll Processing, Employee Satisfaction, Construction Industry, Wage Management.

INTRODUCTION

Payroll processing is one of the most essential and sensitive functions in an organization, as it directly affects employees' livelihood and organizational performance. It is not limited to salary disbursement but includes a wide range of activities such as maintaining employee data, tracking attendance, calculating wages, managing overtime, handling leave adjustments, and applying statutory deductions.

A well-structured payroll system ensures that all employees are paid accurately and on time. It also helps organizations comply with legal requirements and maintain financial discipline. Payroll processing requires coordination between HR and finance departments, making it a critical operational function.

In the construction industry, payroll management becomes more challenging due to the nature of work.

Construction companies operate across multiple sites and employ workers with different skill levels and employment types. Employees include permanent staff, contract labour, and daily wage workers, each with different wage systems.

For example, daily wage workers are paid based on the number of days worked, while permanent employees receive fixed monthly salaries. This variation increases the complexity of payroll calculation. In addition, attendance tracking becomes difficult because employees work at different locations.

Manual payroll systems are still used in many construction companies, which increases the chances of errors and delays. Errors in payroll can lead to dissatisfaction among employees, while delays in salary payment can affect their financial stability.

Employee satisfaction is closely linked to payroll practices. Timely and accurate salary payments increase employee trust and motivation. On the other hand, poor payroll management can lead to dissatisfaction, reduced productivity, and high employee turnover.

Therefore, this study focuses on analyzing payroll processing practices and understanding their impact on employee satisfaction in URC Construction Private Limited.

LITERATURE REVIEW

Payroll processing and employee satisfaction have been widely discussed in management literature.

Maslow (1943), through his Hierarchy of Needs Theory, explained that financial security is a basic requirement for employees. Salary helps in fulfilling physiological and safety needs. Herzberg (1959) identified salary as a hygiene factor, meaning that improper salary management leads to dissatisfaction.

Vroom (1964) proposed the Expectancy Theory, which suggests that employees are motivated when they expect rewards for their efforts. Payroll systems ensure that employees receive these rewards. Locke (1976) emphasized that job satisfaction is influenced by fair compensation and timely salary payment.

Flippo (1984) highlighted that proper wage administration is essential for maintaining industrial harmony. Payroll errors and delays can lead to conflicts between employees and management. Cascio (2006) emphasized that payroll accuracy and legal compliance are important for building employee trust.

Armstrong (2012) and Dessler (2013) suggested that payroll systems should be transparent, accurate, and efficient. Transparency helps employees understand their salary structure and reduces confusion.

Recent studies highlight the role of technology in payroll processing. Automated systems reduce human errors, improve efficiency, and ensure timely salary payments. They also provide employees with easy access to payslips and salary details.

Overall, literature clearly shows that payroll processing plays a significant role in employee satisfaction, motivation, and organizational performance.

METHODOLOGY

Research Design

The study adopts a descriptive research design to analyze payroll processing and employee satisfaction.

Data Collection

Primary data is collected through structured questionnaires distributed to employees. The questionnaire includes questions related to salary timing, accuracy, transparency, overtime payment, and HR support.

Secondary data is collected from books, journals, company records, and previous research studies to provide a theoretical background.

Sample Design

The study includes 146 employees from different job categories such as site workers, supervisors, contract labour, and management staff. This ensures that the data represents different perspectives.

Sampling Method

Convenience sampling is used, as it allows easy access to respondents within a limited time.

Tools Used for Analysis

- Percentage Analysis: To summarize data
- Regression Analysis: To identify relationships
- ANOVA: To compare group differences
- Chi-Square Test: To find associations
- SPSS and Excel: For data analysis

Variables

- Dependent Variable: Employee satisfaction
- Independent Variables: Salary timing, salary accuracy, transparency, HR support

ANALYSIS

S. No	Variable	Categor y	Frequenc y	Percenta ge
1	Age	20–25	40	27.4
2	Gender	Male	121	82.9

3	Job Category	Contract Labour	26	17.8
4	Employment Type	Daily Wage	36	24.7
5	Work Experience	Less than 1 year	45	30.8

INTERPRETATION

The table shows that the majority of respondents belong to the 20–25 age group (27.4%), and the workforce is predominantly male (82.9%). Most employees are from the Contract Labour category (17.8%), with a higher proportion working as Daily Wage employees (24.7%). Additionally, a significant number of respondents have less than 1 year of experience (30.8%), indicating the presence of more freshers in the organization.

Test	Value	df	Sig. (p-value)
Pearson Chi-Square	15.200	20	0.765
Likelihood Ratio	15.760	20	0.731
No. of Valid Cases	146	—	—

INTERPRETATION

The table shows that the Pearson Chi-Square value is 15.200 with a significance value of 0.765, which is greater than 0.05. This indicates that there is no statistically significant relationship between job category and payroll support satisfaction.

RESULTS BASED ON OVERALL ANALYSIS:

The analysis of data provides several important insights into payroll processing and employee satisfaction.

The workforce consists of employees from different age groups and job categories, showing diversity. However, the workforce is largely male-dominated, which is common in the construction industry.

Payroll processing shows mixed results. While some employees are satisfied with salary timing, others experience delays. Salary accuracy is also questioned by many employees, indicating possible errors in calculation.

Payslips are not consistently provided, and even when provided, they are not always easy to understand. This reduces transparency and creates confusion among employees.

Overtime calculation is another major issue. Many employees feel that overtime is not calculated correctly, which affects their satisfaction.

Attendance tracking is not fully reliable, leading to errors in salary calculation. Employees also have limited awareness about PF and ESI benefits.

Overall, employee satisfaction is moderate. Payroll delays and inaccuracies negatively affect morale, while proper payroll practices improve performance.

DISCUSSION

The findings of the study highlight that payroll processing is a key factor influencing employee satisfaction. The presence of mixed responses indicates that payroll practices are not consistent across the organization.

The construction industry faces unique challenges such as workforce diversity, multiple work sites, and manual systems. These factors increase the complexity of payroll management and lead to errors.

One of the major issues identified is lack of transparency. Employees expect clear information about their salary and deductions. When this information is not provided, it leads to dissatisfaction.

Salary delays also have a significant impact on employee morale. Employees depend on their salary for daily expenses, and delays affect their financial stability.

The study also highlights the importance of communication. Proper communication can reduce confusion and improve employee satisfaction.

CONCLUSION

Payroll processing plays a vital role in shaping employee satisfaction, organizational efficiency, and long-term business success. It is not merely a financial activity but a comprehensive system that directly influences employee morale, motivation, and trust in the organization. The findings of this study clearly indicate that payroll practices have a significant impact on how employees perceive their work environment and their level of satisfaction.

The study reveals that while the organization has an established payroll system in place, its effectiveness is

affected by certain operational challenges. Issues such as delays in salary disbursement, inconsistencies in wage calculation, lack of clarity in payslips, and limited awareness of statutory benefits reduce employee confidence in the system. These challenges highlight the gap between payroll system design and its actual implementation.

Timely salary payment emerges as one of the most critical factors influencing employee satisfaction. Employees depend heavily on their income for their daily needs, and any delay creates financial stress and dissatisfaction. Similarly, accuracy in salary calculation and proper handling of overtime payments are essential to maintain fairness and transparency in the organization. Even small errors can negatively affect employee trust and lead to grievances.

BIBLIOGRAPHY

1. ADP – 2023 – Payroll Management and Employee Satisfaction – *ADP Research Institute Report* – <https://www.adp.com>
2. Paychex – 2023 – Importance of Payroll Accuracy and HR Efficiency – *Paychex Business Insights* – <https://www.paychex.com>
3. Investopedia – 2023 – Payroll System Definition and Organizational Impact – *Investopedia Finance Articles* – <https://www.investopedia.com>
4. Ministry of Labour and Employment India – 2022 – Labour Law Compliance and Payroll Systems – *Government Labour Reports* – <https://labour.gov.in>
5. HRM Guide – 2022 – Payroll Transparency and Employee Satisfaction – *HRM Guide Publications* – <https://www.hrmguidenet>
6. World Bank – 2021 – Payroll Systems and Labour Market Efficiency – *World Bank Reports* – <https://www.worldbank.org>
7. International Labour Organization – 2020 – Wage Policies and Worker Protection – *ILO Publications* – <https://www.ilo.org>
8. OECD – 2020 – Employment and Wage Systems Analysis – *OECD Employment Outlook* – <https://www.oecd.org>
9. NASSCOM – 2019 – Payroll Trends in Indian Organizations – *NASSCOM Industry Report* – <https://www.nasscom.in>
10. Gary Dessler – 2013 – Human Resource Management and Payroll Systems – *Pearson Education Book* – <https://www.pearson.com>