

RELATIONSHIP BETWEEN COMPENSATION AND JOB SATISFACTION: AN EMPIRICAL STUDY OF EMPLOYEES IN THE GARMENT AND TEXTILE SECTOR IN SRI LANKA

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Introduction

A job is more than an activity for a person, and is deeply integrated his life. Employees often see compensation as a reflection of how management views their contribution to the organization and their value to the organization. Job satisfaction is a positive feeling about one's job resulting from an evaluation of its characteristics (Robbins, 2007).

In research on job satisfaction, different emphasises have been placed on the relative importance of compensation in forming views about one's job. According to Patrica and Jay (2000) money provides a rich basis for studying behavior at work because it offers explanations for why people act as they do. As Luthans (2008) explains, money not only helps people attain their basic needs, but is also instrumental in providing upper level need satisfaction. Rauf Hansiya (2003) concluded in his findings that knowledge workers derive greater job satisfaction from intrinsic rewards in the service sector. The employee assessment of satisfaction dissatisfaction is a complex summation of a number of discrete job elements.

According to the Labor Organization in Sri Lanka more than 350,000 workers are involved in the textile and garment sector. With international competition the Sri Lankan garment and textile sector have to be concerned about more cost effective methods and higher quality requirements. The tendency in recent years to reduce the importance of pay as an organizational reward is evidence that attempts are being made to overcome above situation. Generally, management uses compensation as a tool of productivity rather than worker satisfaction.

Variable pay has become a popular tool in this sector and the level of fixed pay has been negligible.

The objective of the study is to find out and compare the impact of different compensation forms on job satisfaction. The research problem focused here is: "What is the relationship of different compensation categories with job satisfaction in textile and garment sector workers in Sri Lanka?" The result of the study will useful for human resource practitioners, managers and policy makers in formulating strategies to increase effectiveness in the industry.

Methodology

Based on the research question, the conceptual model as depicted in figure below was constructed. This study is mainly based on primary data that were collected from 100 factory managers and non-managers using the same survey questionnaire. The dependent variable was satisfaction level and the main components of independent variable were fixed pay, variable pay and benefits. The basic pay of an employee concerned is the fixed pay, and variable pay relates to bonus and incentives. Transport, health and food provided by the employer were considered as benefits. Each of these variables revealed homogeneity in relation to attitudes to job satisfaction. The measuring instrument of job satisfaction was the Minnesota Satisfaction Questionnaire (MSQ) with a five-point scale rating. The summation of satisfaction scores of respective compensation categories were taken as the level of satisfaction. In analyzing data the Pearson correlation was used in identifying relationship among independent and dependent variables. The research followed the Porter-Laweler approach (1971).

Findings

The results of the study show that there is a positive relationship with fixed pay in both the management category and non-managerial category. Variable pay has significant influence on at the managerial level while it insignificant for non-managerial workers. Benefits have a positive influence on job satisfaction in the management category, while it is insignificant in the non-managerial category.

Analysis

Empirical evidence of the study reveals that the satisfaction level varies with the categories of compensation. Reaction on satisfaction regarding compensation was different in managerial and non-managerial positions. To maintain a high satisfaction in the labor pool, it is essential to identify different reactions towards each type of compensation. Satisfaction plays a key role in an organization and utilization of it can be done without extra cost. On the other hand effectiveness of the compensation expenditure can be enhanced by serving workers in more satisfied manner.

Conclusion

The study concludes that compensation design based on categories, can be considered in order to determine the various human resource strategic pay system. It is appropriate for introducing different types of compensation schemes to achieve high level of satisfaction within the organization. Expenditure on compensation can be more effective, if pay plan considered fixed pay rather than the other categories. For managers

variable pay is a matter of satisfaction while for non-managerial workers it is a tough management tool that force to productivity. Non-managerial workers do not calculate benefits as part of their compensation and the way organizations offer their benefits should change. If employees are allowed some flexibility in choosing the type of benefits from a total package their overall satisfaction level will be increased.

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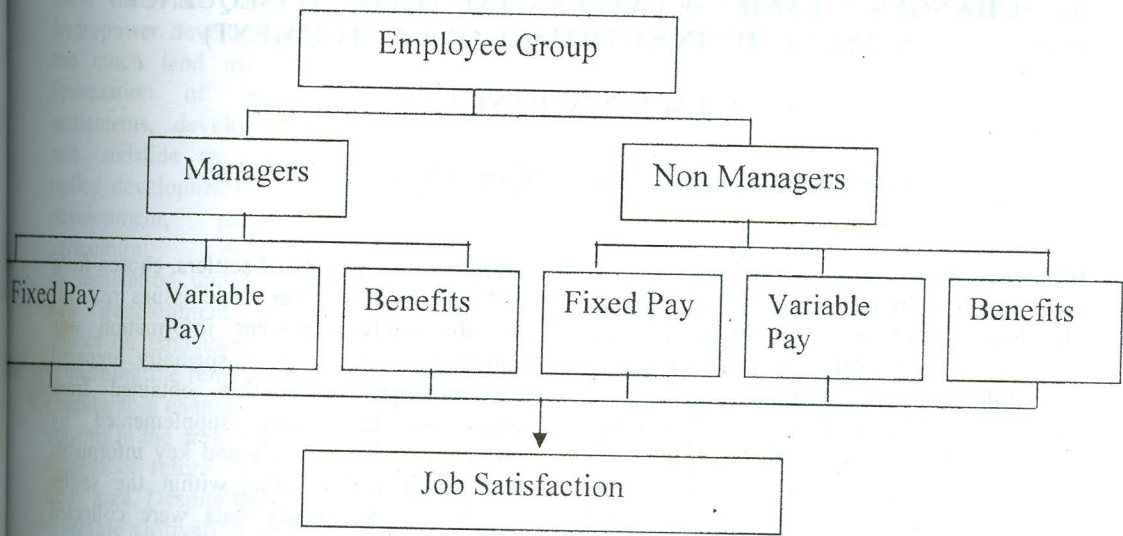


Figure.