

A STUDY OF EMPLOYEE COMPENSATION AND EMPLOYEE JOB ENGAGEMENT ON BANKS OF LAHORE, PAKISTAN

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ABSTRACT: *This study aims to check the impact of employee compensation on employee job engagement. This study is done on the banks of Lahore Pakistan. Result of this study confirmed the proposed hypothesis that employee compensation has positive impact on employee job engagement. This result is as according to the results of previous studies. This study shows that employee compensation can change the level of employee job engagement up to 46.6%. More researches will be done on other sectors like Government institutions, Engineering Sector, service sector and Hotel Industry etc. for generalizing the results. Other independent variables like organizational politics, organizational environment, work life conflicts may be includes in future researches.*

Keywords: Employee job Engagement, Employee Compensation, Lahore, Banks, Pakistan

1-INTRODUCTION

Compensation is the advantage and output that employee obtain in the shape of wages, pay and in shape of rewards like financial interchange for the servant's to enhance the Performance of the employees [1]. Compensation is the fragment of change between the employer and the employee which is the result of contract of employee [2]. Pay of the employee is the basic need of life. This pay is reward of work done by the employee in any organization [2]. Compensation is generally equivalent to half part of companies' cash flow. On the other hand, compensation is more than half in service providing companies [2]. It is the basic tool to stimulate and fascinates the employee and this can result in increasing the performance of employees [2]. It is believed that most of skilled and well educated employees are not gratified with their employments and this can result in high turnover of employees that is why organizations are very keen to solve this problem by formulating the effective compensation plans [3]. That is way effective compensation plans has great impact on decision making process of employees and also increase their stay in the organizations and in a result they can accepted their responsibilities happily [4]. It is also noted that quality of work and performance of the employees are enhanced due to good compensation plans [2]. Good pay which is the most part of compensation plans of the companies is the good source of stopping the employee turnover intentions [5]. Employees make decisions about their

stay or leave from the organizations on the basis of work environment and compensation policies [6]. Current research has been designed to check the impact of employee compensation on employee job engagement. Employee job engagement is another important variable. In the words of researcher [7] "there is a surprising dearth of research on employee job engagement in the academic literature". Researchers [8] also concluded that "there has been surprisingly little academic and empirical studies on one of most popular concept i.e. employee engagement". This study is designed to fill the gap about research on employee job

engagement and calculate the impact of employee compensation on employee job engagement.

2. LITERATURE REVIEW

Employee compensation

Employee compensation includes not only wages paid to employees but also non-wage benefits such as medical, insurance and a retirement plan [9]. Researcher [10] proposed that engagement of workers is differentiated and it is based on the expectations of employees towards the profits and advantages got by the employed firms. The compensation of workers is considered as critical factor for their satisfaction [11]. Compensation benefits can be differentiated on the basis of rewards that could be monetary and non-monetary for the workers individually and in the shape of teams to improve the organizational performance [12]. Compensation benefits are essential attribute to design the learning environment for the workers [13]. According to researcher [14], Human Resource Department should redesign the compensation benefits procedures with the passage of time to "enhance creativity, investigation and organizational learning". Researchers [15] concluded that imbalance reward system can lead to high turnover intentions. The compensation benefits are considered as a major source in the success of the organizations. This will affect the work of employees, procedures and in formulating the strategies [16]. Large number of firms has been spending a lot of money and resources for planning, managing, running and developing effective compensation plans. But, according to its significance for organizations, researchers are not yet able to develop the successful compensation benefits plans [16]. Currently, the style of compensation plans has undergone impressive [16]. Conventionally, labor economics and psychology of community are dominant parts of compensation's studies [17]. In labor economics, different studies have focused on to determine wage rate. These studies described that balance wage rate can be achieve with the help of balancing supply and demand of labor [17]. But, these studies did not explain about the rational decisions of marketers, cost of job rotation

etc [17]. According to researchers [18] and researchers [17], big companies provides high pay due to subsequent reasons, (a) top or middle rank officers are essentially attained technological and executive skills for doing complex jobs (b) for big companies it is not easy task to closely check the non-working behaviors of employees. For avoiding from these heavy losses, these companies can pay greater money to their employees.

Employee Job Engagement

Researcher [10] describes the term employee engagement on the basis of researcher’s [19] role behavior speculation. This theory proposes that employee attitudes are formed by the demands and regulations of other employees [20]. Researcher [10] also asserts that employees are likely to attach themselves according to their roles or improving their individual personality with these roles. Researcher [10] defines the term employee engagement as “the harnessing of organizational members themselves to their work roles; in engagement, people employ and express themselves physically, cognitively, and emotionally during role performances”[10]. He also concludes that “harnessing” is assorted according to employee’s three kinds of states. These states are termed as meaningfulness, safety, and availability. Engagement is an intense connection between the self and the work role where people fully express themselves physically, cognitively and emotionally at work [10].

Hypotheses Development

Researcher [10] reported that people vary in their engagement as a function of their perceptions of the benefits they receive from a role. Researchers [15] have also suggested that while a lack of compensation benefits plan can lead to burnout, thus, appropriate compensation benefits are important for engagement. When employees receive rewards from their organization, they will feel obliged to respond with higher levels of engagement. Researcher [7] concluded that employee compensation benefits are positively related to employee job engagement. Researchers [21] also asserted that employee compensation is important driver of employee job engagement. On the basis of above discussion this study has proposed the following hypothesis.

H: Employee compensation has positive impact on employee job engagement.

Data was collected with the help of structured questionnaire. Simple random sampling technique was used. Respondents for this study were officer level employees of banking sector. Overall 423 questionnaires were distributed. 322 questionnaires were retrieved with the response rate of 76%; out of received 312 questionnaires were selected for final analyses, rest were not complete. This study used the scale of 21 items. 3 statements are about compensation and 18 statements are about employee job engagement. It is developed with the help of previous articles published in the same area of research. Validity of the scale is checked with the help of factor loading. Factor loading of all 21 items included in the instrument was more than 0.50. Reliability of data is being checked with the help Cronbach alpha. SPSS

3. DATA ANALYSIS

Data Collection

Table No1: Validity of scale and reliability of data

Item Statement	Factor Loading	Cronbach Alpha
COMP1	1.000	0.664
COMP2	0.75	
COMP3	3.36	
Employee Job E1	1.000	
Employee Job E 2	1.094	
Employee Job E 3	1.141	
Employee Job E 4	1.054	
Employee Job E 5	0.94	
Employee Job E 6	1.000	
Employee Job E 7	1.000	
Employee Job E 8	1.35	
Employee Job E 9	1.444	
Employee Job E 10	1.35	
Employee Job E 11	1.42	
Employee Job E 12	1.40	
Employee Job E 13	1.000	
Employee Job E 14	.96	
Employee Job E 15	.95	
Employee Job E 16	.88	
Employee Job E 17	.90	
Employee Job E 18	.97	

17 is making use for performing the test. Data is reliable if the value of crown batch alpha is more than 0.50. Cronbach alpha of all the instruments is 0.664 which indicates that data is more reliable and is used for further analysis.

Correlation Analysis

Table 2 describes correlation between compensation and employee job engagement. The correlation coefficient between these variables is 0.499. This vale is positive. This indicates that these variables are positively correlated. There is strong correlation between compensation and employee job engagement.

Regression Analysis

Tables No 3 describes the regression analyses about current study. The relationship and effect of independent variables on dependent variable are shown with the help of regression analysis. The value of R Square describes the extent of impact that independent variable have on dependent variables. This value is accepted when it is > 25%. P-value illustrates the actual level of relationship. In the regression

Table No2

	COMPENSATIO	Employee Job
COMPENSATION	-	.499**
Employee Job Eng	-	-

** Correlation is significant at the 0.01 level,

* Correlation is significant at the 0.05 level

analysis if the value of P is less than 0.05, 0.01 or 0.10, then the hypothesis is accepted. These are three levels for the acceptance of the hypothesis. The value of F describes the extent of relationship between dependent and independent variables. Greater the value of F, greater will be the association among variables. The value of β describes the level of impact of independent variable on dependent variables.

Table No3: Dependent Variable: Employee job engagement

	B	't	'p
(Constant)	1.962	11.704	0.000
Compensati on	0.466	10.129	0.000
R Square	0.249		
F	102.604		0.000
Durbin-Watson	1.748		

***Significant at the 0.01 level.

**Significant at the 0.05 level.

* Significant at the 0.10 level.

Table No.3 shows the relationship of compensation and employee job engagement. This gives the value of $\beta = 0.466$ and value of $p=0.00$ i.e. < 0.01 for relationship of compensation and employee job engagement. This demonstrates that employee compensation has significant impact on employee job engagement. It implies that employee compensation may cause 46.6 % variation in employee job engagement.

4. CONCLUSION

Results of this study have confirmed that employee compensation is important predictor of employee job engagement. This finding of this study is according to the study of researchers [7;15]. This indicates that compensation can cause 46.6 % change in employee job engagement. Banking sector of Pakistan for must formulate the steady policies about employee compensation for maintaining the current level of this variable. More researches will be done on other sectors like Government institutions, Engineering Sector, service sector and Hotel Industry etc. for generalizing the results. Other independent variables like organizational politics, organizational environment, work life conflicts may be includes in future researches.

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