Impact Of Compensation Management Practices On Employee Job Performance In It Sector: An Empirical Study Of Pune City

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ABSTRACT: This paper aims to explore the composition of "Job Performance" for employees in IT Industry of Pune city.The paper applies data reduction using Exploratory Factor Analysis (EFA) on a sample of 273 respondents and reduces a set of 13compensation management practices determinants into a list of three comprehensible factors.The present study investigate the impact of compensation management practices determinants on the employee job performance.The study found that remuneration, identification and recreational facilities are impacting significantly the employee job performance. Therefore, IT Companies should focus on the above factors to provide enrich employee job performance.

Key Words: Compensation Management Practices, Determinants, Job Performance, IT industry and Pune City.

1. INTRODUCTION

It is very important to find and retain effective, skilled and informed workers in the company in the age of global competition by designing and sustaining an efficient incentive package to get the employee's best job results. Workers are the core resource of the company and organizations' success or failure focuses on employers' ability to recruit, retain, and compensate sufficiently talented and qualified employees. The ability of employees to stay on the job primarily relies on the organization's pay packages.

Literature Review

Donald P. Sachwab and Lee D. Dyer (1973) examined effect of compensation on employee performance was substantially linked to performance and the outcomes offered by Valence pay and expectation.**Mincer (1974)** Lifetime earnings and the earnings associated with the salaries of employees. This theory also notes that cognitive capacity is an important indicator of work performance and compensation. **Brown et al., (2003)** determine the relationship between organizational compensation decisions and job performance was studied and how businesses wage systems and pay scales contribute to resource quality, patient care results, and financial performance. **Abdul Hameed (2014)** found that,compensation factors has positive impact on employee performance in banking sector of Pakistan.

HamzahMohammad A et al. (2014)stated that recruitment and selection and compensation were strongly associated with employee performance at the Malaysian Skills Institute (MSI). **Mohammed Owais Qureshi and Syed RumaiyaSajjad (2015)** found that priority should be given to employee benefits, resulting in increased job performance and a conflict-free work-family climate.**Sheila WambuiNjoroge&JosephatKwasira (2015)** determined that there was a good relationship compensation and reward in the county government of Nakuru on employee performance. **M.Baledi and R.AlSaed (2017)**showed that compensation directly affects the performance of employees and work satisfaction, job satisfaction directly affects the performance of employees. **Tung Thanh Do (2018)**found that relationships between workplace spirituality (engaging work, sense of community), workplace environment, compensation and perceived job performance were solid, positive and meaningful.**Muhammad Asad Khan et al., (2019)**research has found that HR practices: recruitment and selection, training and development, performance evaluation and compensation have a significant and important impact on the performance of workers through work satisfaction among members of the university faculty. **OnuorahAnthonia. N et al., (2019)**concludes that compensation management has a huge influence on the performance of workers in Nigeria.**Azis Hakim (2020)** showed that pay, career growth, work climate and job satisfaction had a significant and essential impact on organizational engagement.

Research Problem

In return for their contribution to the company, the compensation includes not only remuneration, but also the direct and indirect incentives and welfares that the workers is provided with. Some of the advantages of job success include health insurance, security of disability income, retirement benefits, daycare, reimbursement of tuition, sick leave, holidays (paid and non-paid), college support, as well as flexible and alternative work arrangements.

From the above literature, most of the studies found that compensation management practices are most influential factors on employee job performance in any organization. Many studies conducted in different areas with different industries. But very few studies conducted in IT industries. For fulfilling this gap the researcher aims to identify the determinants of compensation management practices in top IT companies in Pune city and also study how these determinants are impacting on the employee job performance.

Research Objectives
1. To identify the compensationmanagement practices determinants in IT Industry.
2. To study the impact of compensation management practices determinants on employee job performance.
3. To suggest specific strategies to IT companies HR managers to improve the performance of employees.

Research Hypothesis
H0: There is no significant relationship between compensation management practices determinants and employee performance.
H01: There is no significant relationship between salary and employee job performance.
H02: There is no significant relationship between recognition and employee job performance.
H03: There is no significant relationship between recreational facilities and employee job performance.

2. RESEARCH METHODOLOGY

Sampling Procedure

Compensation is expected regardless of the company's size, industry, and venue. As the popular of IT companies are based in these areas in South India, an attempt was made to contact the IT companies in Pune via emails. In response to this, 12 companies have reacted positively and have allowed research to be done. In these 12 companies, as many as 1450 questionnaires were mailed to workers. Significant numbers of questionnaires from 7 companies and up to 40 each were collected from them only because the information on the subject was not familiar and comprehensible to many. More workers outside the team leader are only taken in the survey frame as they will only have a say in the methods of salary management. The 7 companies are thus selected purposively. The select 7 companies are as follows;

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Table: 1. List of IT Companies

S. No.	IT Companies
1	Accenture
2	TCS
3	IBM
4	Infosys
5	Wipro
6	Cognizant
7	Tech Mahindra

Where the number of questionnaires completed in all respects is less than 40, further attempts are made by taking quota sampling to obtain a quota of at least 40. Of the questionnaires received, 273 contained complete details in all respects. Thus, the sample size is 273 employees. When selecting employees from the 7 companies, care was taken to cover them from various locations.

Sample Size

As many as 1450 questionnaires were mailed to employees in the selected companies. Out of the received filled in questionnaires, 273 were with full information in all respects. Hence the sample size is 273 employees.

Tools for Analysis

- Reliability Test
- Exploratory Factor Analysis
- Multiple Linear Regression

3. DATA ANALYSIS & RESULTS

Reliability & Validity Test

Table: 2. Reliability Statistics

Cronbach'sAlpha	Number of Items
0.908	19

The internal consistency of the questionnaire of 19 questions with a value of the Cronbach's Alpha is 0.908, which shows that data is 90.8 per cent reliable.

Exploratory Factor Analysis

Table: 3. KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.875
Bartlett's Test of Sphericity	Approx. Chi-Square	1689.987
	Df	78
	Sig.	0.000

Before proceeding for factor analysis the eligibility of the data has to be tested by conducting KMO- Bartlett's test. This test is a measure of sampling adequacy and multivariate normality among variables. The KMO value in this study is $0.875 > 0.5$ which says that the sample taken is adequate. Bartlett's Test of Sphericity value is $0.000 < 0.05$, indicate multi normality among variables. Hence Factor Analysis is considered as an appropriate technique for further analysis of the data.

Table: 4. Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.620	43.232	43.232	5.620	43.232	43.232	3.437	26.442	26.442
2	1.622	12.477	55.710	1.622	12.477	55.710	2.855	21.964	48.406
3	1.232	9.476	65.185	1.232	9.476	65.185	2.181	16.780	65.185
4	.837	6.436	71.621						
5	.681	5.235	76.856						
6	.526	4.047	80.903						
7	.476	3.660	84.563						
8	.462	3.557	88.120						
9	.421	3.240	91.360						
10	.338	2.601	93.961						
11	.323	2.486	96.447						
12	.266	2.044	98.491						
13	.196	1.509	100.000						

Extraction Method: Principal Component Analysis.

On the basis of Varimax Rotation with Kaiser Normalization, 3 factors have been extracted. Each factor is constituted of all those variables that have factor loadings greater than 0.5. 13 variables were clubbed into 3 factors. 3 factors were extracted from the 13

variables used in the study. These 3 extracted factors explained 65.185 per cent of the variability in determinants of compensation.

Table: 5. Rotated Component Matrix

Factor No	Variable Covered	Factor Loading Value	Name of the Factor
1	Well organized & efficient salary system	0.820	Remuneration
	Salary received by staff meets by immediate needs of the staff.	0.774	
	Salary system in the organization is poorer than what operates in other organizations.	0.736	
	Additional inputs of the employees get rewarded by the organization.	0.758	
	The existing salary system is applicable to all the employees in the organization	0.645	
2	Lunch on the house.	0.793	Identification
	Thank you note	0.854	
	Time off with pay.	0.806	
	Full appreciation of work done.	0.640	
3	Fun at work is in place in the company.	0.521	Recreational Facilities
	Team of the month award	0.666	
	Company celebrates occasional system relievers' day.	0.833	
	Best employee award.	0.782	

Multiple Regression

Table: 6. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.705[a]	.591	.578	.615	1.196

a. Predictors: (Constant), Recreational Facilities, Remuneration, Identification
b. Dependent Variable: Employee Job Performance

From the above regression table, the R-value is 0.705 means that there is a high positive relationship between the determinants compensation and job performance of employees in IT Companies. Since the R square value is 0.591 i.e. 59.1 per cent of the explained variation is there in the job performance of employees in IT Companies and Durbin-Watson statistic value is 1.196. It is closer to the standard value 2. So, that the assumption has almost certainly been met.

Table: 7. ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	117.129	3	39.043	88.412	.000[b]
	Residual	118.791	269	.442		
	Total	235.919	272			

a. Dependent Variable: Employee Job Performance
b. Predictors: (Constant), Recreational Facilities, Remuneration, Identification

The ANOVA (Table7) reveals that the F statistics of the regression model is statically significant at 0.05 levels implying the goodness of fit of the regression equation. (Model is statistically significant).

Table: 8. Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.975	.159		6.118	.000
	Remuneration	.174	.047	.205	3.715	.000
	Identification	.275	.045	.343	6.136	.000
	Recreational Facilities	.291	.045	.320	6.483	.000

a. Dependent Variable: Employee Job Performance

The multiple regression equation of this model is: Y=MX+C

Y (Employee Job Performance)
$$= 0.174\,(Remuneration) + 0.275\,(Identification)$$
$$+ 0.291(Recreational\ Facilities) + 0.975\,(Constant)$$

The above table shows, remuneration beta value as 0.205 which indicates the positive impact of salary on employee job performance. Since t, value is 3.715 and significance value is 0.000 which is less than 0.05 hence salary has a significant impact on job performance of employees' in IT companies. IdentificationBeta value as 0.343 which indicates the positive impact of recognition on employee job performance. Since t, value is 6.136 and significance value is 0.000 which is less than 0.05 hence recognition has a significant impact on job performance of employees' in IT companies. Recreational Facilities beta value as 0.320 which indicates the positive impact of recreational facilities on employee job performance. Since t, value is 6.483 and significance value is 0.000 which is less than 0.05 hence recreational facilities has a significant impact on job performance of employees' in IT companies.

Table: 9. Summary Table

Factor	P Value	H_0 (Accepted/Rejected)
Remuneration	0.000	Rejected (H01)
Identification	0.000	Rejected (H02)
Recreational Facilities	0.000	Rejected (H03)

Suggestions

The study found that, remuneration, identification and recreational facilities are impacting significantly the employee job performance in IT companies. So, all the companies must focus on these factors for improving employee job performance.

Remuneration – Providing salary based on the performance and timely payment also important parameters to improve productivity of employee in the organization.

Identification – Recognizing the employees leads to satisfaction of the employees, this leads to improve job performance in the companies.

Recreational Facilities – Conducting recreational programs leads to stress relief from the work and leads to improve job performance in the companies.

4. CONCLUSION

The study investigated the impact of compensation determinants on employee job performance, concluded that salary had the highest impact on the job performance of the employees followed by recognition and recreational facilities. So, all the companies must focus on these factors for improving employee job performance in the organization. Further research, include some more variables in compensation management practices like job security, training and others to get more insights on how these are impacting on the employee job performance.

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