

Reimbursement Administration and Organizational Promise – A Study

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ABSTRACT: Employee performance is a key factor in an organization's success or growth, which is why compensation management—the payment made to employees for their labor—is important. This could take the form of financial or non-financial rewards for inspiring staff to enhance the organisation. This study investigated the relationship between compensation management and organisational commitment using data from 500 employees in Indian manufacturing organisations. Benefits are directly correlated with job stability, according to structural models with standardized parameter estimates; likewise, compensation and benefits are strongly correlated with organisational commitment. Furthermore, there is a negative correlation between employment stability and training, compensation, and advancement chances. This implies that the Management must find a balance between these factors so as to avoid being misled into believing that once there are training and promotional

KEYWORDS: Compensation, Organizational Commitment, Manufacturing Industry, India

I. INTRODUCTION

The essence of this study is to build understandings regarding the impact of employee compensation on their job satisfaction and the consequent effect on their commitment to the organisational goals and objectives among Indian employees (manufacturing workers). Enhancing organisational commitment among the employees is an essential element because that will result in higher employee commitment, enhancing retention, increases their job motivation and improves their performances. By bringing out the impact of employee compensation in the manufacturing sector of the economy, will help organizations foster commitment and enhance the satisfaction level among its employees.

Compensation is an important sub system in human resource management. No other issue is more relevant and crucial to any employee than his or her financial remuneration. In developing nations of the world, money is regarded as a motivation and a catalyst to building loyal, dedicated and commitment workforce (Adeniji & Osibanjo, 2012). In a pilot survey conducted employees were asked about their opinions on what their reaction would be if promoted to a higher level without a commensurate amount of money as motivation. The response stood at about 98% of the sampled population disagrees that they will not want to be promoted if their salaries and the associate remunerations are not affected. This situation goes to explain the position of money as a motivating factor to an African worker. In today's highly competitive business environment, attainment of maximum organisational productivity may take into cognizance the need to inspire and motivate the human resource of the organization via the plan, design, establishment and implementation of a rewarding compensation system that brings out the best in the employees in terms of their performance, loyalty, commitment and dedication.

What is compensation? : According to Belcher (1997), it is a double input-output exchange between a worker and the employer, i.e. the input of efforts and output of wages to workers are established. In the same vein, the input of wages and the output of productivity and services also occur on the employer's side. In this double input-output exchange process, the employer offers basic pay for the workers availability, qualifications, experience, skill and potential productivity. The employer also offers a benefit of various qualities to the workers based on their membership of the employer's organisation. Not only that, performance incentives also offered in settlement for specific performances of different organizational members. This includes everything that an employee receives in return for his labour or services i.e. basic pay and other numerous financial and non-financial rewards which in turn determine how well the worker lives in the society.

Compensation is the reward employees receive in exchange for performing organisational tasks. Compensation is direct and indirect wages. Direct compensation includes wages, salaries and bonuses or commission; while indirect compensation is paid as medical benefits, housing allowance, meal allowance, utility allowances,

incentive bonus, shift allowances, hospitalization expenses, out of station allowance, vehicle loan benefits, annual leave allowances, car basic allowances, etc.

Job Satisfaction and Organisational Commitment : Job satisfaction is defined as the degree to which a worker experiences positive affection towards his or her job (Locke, 1969). In his definition, Locke considers job satisfaction to be “a pleasurable or positive emotional state resulting from the appraisal of one’s job or job experiences and as a function of the perceived relationship between what one wants from one’s job and what one perceives it as offering”

Job satisfaction means the contentment of the servers because of their jobs. It is the personal evaluation of the job conditions (the job itself, the attitude of the administration etc.) or the consequences or (wages, occupational security etc.) acquired from the job (Fletcher and Williams, 2006). According to another definition, job satisfaction is the phenomenon ascertaining the contentment of the server and appearing when the qualifications of the job and the demands of the servers match (Reichers, 2006). In line with these definitions, job satisfaction might be handled as the consequence resulting from the comparison between the expectations of the server from his job and the job in question which is performed. The consequence may emerge as satisfaction or dissatisfaction of the server from the job.

Job satisfaction is one of the attitudinal constructs that has been shown to be related to organisational commitment, but its treatment as an independent construct should be emphasized. A number of factors distinguish job satisfaction from organisational commitment. Mowday; Porter & Steers, (1979) argue that organisational commitment is “more global, reflecting a general affective response to the organization as a whole” while job satisfaction “reflects one’s response either to one’s job or to certain aspects of one’s job”. Thus organisational commitment focuses on attachment to the employing organization as a whole, including the organization’s goals and values, while job satisfaction focuses on the specific task environment where an employee performs his or her duties (Mowday et al., 1979). Organisational commitment is less influenced by daily events than job satisfaction; it develops more slowly but consistently over time, and therefore is seen to be a more complex and enduring construct (Mowday et al., 1979). Also, job satisfaction and organisational commitment do not necessarily occur simultaneously. It is possible that an employee may exhibit high levels of job satisfaction without having a sense of attachment to, or obligation to remain in the organization. Similarly, a highly committed employee may dislike the job he/she is doing thereby exhibiting low levels of job satisfaction (McPhee & Townsend, 1992).

Kalleberg and Mastekaasa (2001) found that previous research on the relationship between job satisfaction and organisational commitment has not shown any consistent and easily reconcilable findings. Accordingly, Lincoln & Kalleberg (1990), and Tett and Meyer (1993) maintain that a satisfaction-to-commitment model assumes that satisfaction is a cause of commitment. Thus, we propose that;

A high level of job satisfaction is related to organisational commitment. : Organisational commitment has attracted considerable interest as attempts have been made to better understand the intensity and stability of an employee’s dedication to the organisation (Lumley, 2010). Allen and Meyer (1990) identified a link between organisational commitment and employee salary levels, benefit packages and turnover and concluded that organizations that have

better compensation systems cum policies in place put a very positive impact on their employees thereby they committed to the organisation and were less likely to leave it. Financial reward is one of the factors that produce job satisfaction as mentioned in need fulfillment model by Kreitner and Kinicki, (2006). They revealed that pay, benefit packages and security were greater motivators for employees. Also, Grace and Khalsa (2003) admitted that professional development opportunities, salary packages, benefits are of great importance that create job satisfaction factors. Compensation systems may affect employees’ job satisfaction and thus influence intentions to quit but higher compensation level cum benefit packages leads to higher job satisfaction and retention rates will also be higher. McNamara (199); Opkara, (2004) 7 Samad (2007) defines job satisfaction as one’s feelings or state of mind regarding the nature of their work. Job satisfaction can be influenced by a variety of factors among which are the quality of one’s relationship with their colleagues or co-workers, relationship with their supervisor or leadership, the quality of the physical environment/ geographical location in which they work, the stability of their job tenure, satisfaction with the relevance of one’s job and degree of the fulfillment of their work, all of which are positively related to their commitment to the organisational goals and objectives. They concluded that if workforce is satisfied with their job as well as the organisational environment including its colleagues, compensation and leadership, they will be more committed with their organization as compared to

when they are not satisfied. These are important because they are key factors that influence employee's turnover, productivity and performance. Satisfied and committed employees are contributors and performers towards enhancing organisational productivity. Thus, it is clear from the foregoing that good relationship with co-workers and leadership, having stable job tenure with comfortable job environment have some positive impact on the employees.

Therefore, we can safely construct the following hypotheses;

- ✦ Satisfaction with co-workers is related to organisational commitment.
- ✦ Satisfaction with leadership is related to organisational commitment.
- ✦ Satisfaction with job stability is related to organisational commitment
- ✦ Satisfaction with geographic location is related to organisational commitment.

Work life balance is the term used to refer to policies that strive to achieve a greater complementarity and balance between work and home responsibilities. Subhasree and Misra, (2013) define work life balance as the harmonious and holistic integration of work and non-work so that people can achieve their potential across the domains in which they live. Work life balance is about people having a measure of control over when, where and how they work. It is achieved when an individual's right to a fulfilled life inside and outside paid work is accepted and respected as the norm, to the mutual benefit of the individual, his family, business and society, (Jones, Burke & Westman, 2006; Pitt-Catsoupes, Kossed & Sweet, 2006). One of the first definitions is that of Greenhaus and Beutel (1985), which states that work and non-work interference is a form of inter- role conflict whereby role pressures from family (spouse and children) and work domains are mutually incompatible, i.e. participation in the work role is made difficult by participation in the family role. Initial research on WLB was in response to the problems faced by an increasing number of working mothers battling to meet the demands of both work and family (Morehead, 2002).

Employees could also experience lower levels of stress, work-family conflict, and higher levels of positive output between work and family (Voydanoff, (2005); Rupert; Stevanovic, and Hunley, 2009). There are numerous reasons why employees can become discouraged with their jobs and resign, including high stress, lack of recognition or limited or limited opportunity for growth. Thus, management should actively seek to improve these factors if they hope to lower their stress levels, turnover rate and ensure their commitment, even in economic downturn dissatisfaction and turnover is an expense best avoided. It is generally agreed that work-life balance is important for an individual's psychological well-being, and that high self-esteem, satisfaction greater commitment to organisational objectives and overall sense of harmony in life can be regarded as indicators of a successful balance between work and family roles (Clark; Koch and Hill, 2004; Clark 2000). Other forms of flexible working conditions include; part-time working, job sharing, flextime, shift working, home working, career breaks, study live, e.t.c.

Therefore, we can safely propose the following hypotheses;

1. Satisfaction with work-life balance is related to organisational commitment.
2. Satisfaction with stress levels is related to organisational commitment.
3. Satisfaction with spouse /significant others employment is related to organisational commitment.

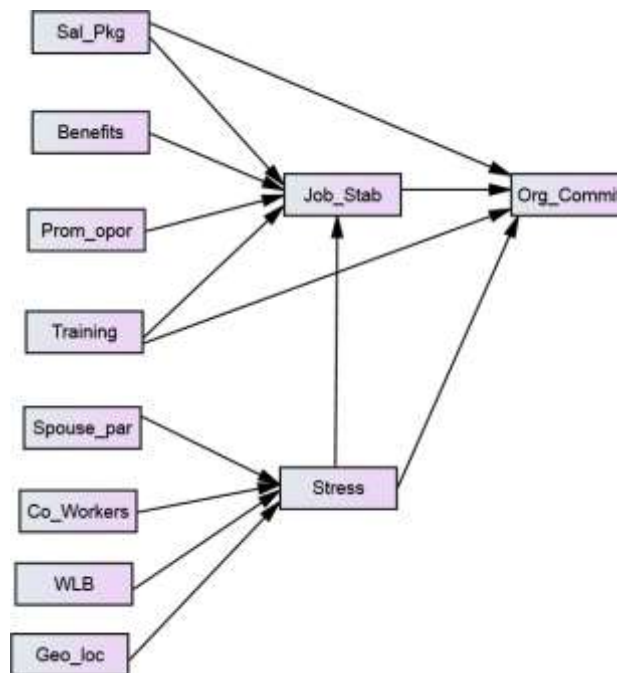
Financial reward is one of the factors that produce job satisfaction. In the study of Hewitt(2009), he revealed that pay and security were greater motivators for private than for public sectors. Satisfaction with the professional development opportunities, promotional opportunities, training opportunities and salary packages are of great importance that create job satisfaction factors, (Grace & Khalsa, 2003). Top most factors in producing job satisfaction include training opportunities, promotional opportunities, financial resources and positive relationship with co-workers, salary levels and incentive packages, and leadership all of which if favourably present will lead to organisational commitment. For instance, Grace and Khalsa (2003), found that promotional opportunities and training opportunities are significant predictors of organisational commitment. The success of an organization and the pursuit of quality depend not only on how the organization makes the most of human competencies, but also on how it stimulates commitment to an organization (Eaton, 2003). Commitment has been related to valuable outcomes for both the employer and the employees. Greater commitment can result in enhanced feelings of belonging, security, efficacy greater career advancements, up-to-date training opportunities, increased compensation and increased intrinsic rewards for the individual (Malik;

Ahmad and Hussain (2010). For the organization, the rewards of commitment can mean employee increased employee tenure, limited turnover, reduced training costs, greater job satisfaction, acceptance and commitment to organisation's demands, and the meeting of organisational goals such as high quality, (Fein, 2010 & Brown, 2003).

However, the following hypotheses are formulated to guide these findings;

4. Satisfaction with promotional opportunities is related to organisational commitment.
5. Satisfaction with training opportunities is related to organisational commitment.

However, the survey hypotheses are depicted in figure 1. Figure 1: The Proposed Survey Model



II. MATERIALS AND METHODS

The survey adopts research design methodology, which allows research to obtain primary data on compensation management and organizational commitment in manufacturing industry in India. The choice of manufacturing industry was based on the large concentration of labour, which ranges between literates, semi-literates, and illiterates with low wages and salaries, they live below poverty line. Survival of any economy is argued to be connected with factors such as viable

Manufacturing industry, this is due to the fact that they can accommodate large number of workers. However, the primary data of the survey was gathered through researchers' self-administered questionnaire and interactions methods, which involves selected manufacturing companies in Nigeria and India. These companies were selected arbitrarily from the selected nation. A total of five hundred (500) copies of questionnaire were used for this study. The research instrument adopted for this survey is divided into two (2) sections; while the first part collects demographic data of the respondents, (viz-a-viz marital status, work experience, age, educational qualification among others); the second gathers respondents' opinions on the impact of compensation management and organizational commitment among the employees in manufacturing industry in the countries where they work and reside.

Results of Investigation : The basic characteristics of the respondents are detailed in table 1.

Table 1: Respondents Basic Characteristics

		Frequency	Percent
Age:	20 – 29 years	284	56.8
	30 – 39 years	144	28.8
	40 – 49 years	57	11.4
	50 years & above	13	2.6
	Missing Cases	2	0.4
	Total	500	100.0
Educational Background	SSLC (10 th grade)	54	10.8
	PUC	44	8.8
	Degree	233	46.6
	Post Graduate	120	24.0
	Others	47	9.4
	Missing Cases	2	0.4
	Total	500	100.0
Designation	Junior	85	17.0
	Middle	325	65.0
	Senior	90	18.0
	Total	500	100.0
Marital Status	Single	230	46.0
	Married	262	52.4
	Divorced/Separated	4	0.8
	Missing Cases	4	0.8
	Total	500	100.0
Work Experience	0 – 5 years	194	38.8
	6 – 10 years	135	27.0
	11 years & above	165	33.0
	Missing Cases	6	1.2
	Total	500	100.0

With reference to the respondents’ basic characteristics illustrated in Table 1, the sample may be considered as a rich and adequate data for this survey.

Model Testing : In model testing, various indicators of goodness-of-fit can be adopted among which includes; Normed Fit Index (NFI), Comparative Fit Index (CFI), etc. However, it is important to note that each of these indicators has a minimum benchmark for the model to be accepted; the rule of thumb for NFI suggests that the value should be equal or greater than .90 (Tabachnick and Fidell, 2007); while the benchmark value for CFI suggests that the cut-off value should be also be equal or greater than .90 (Bentler and Bonett, 1980). The model fit summary for this survey is depicted in Table 2.

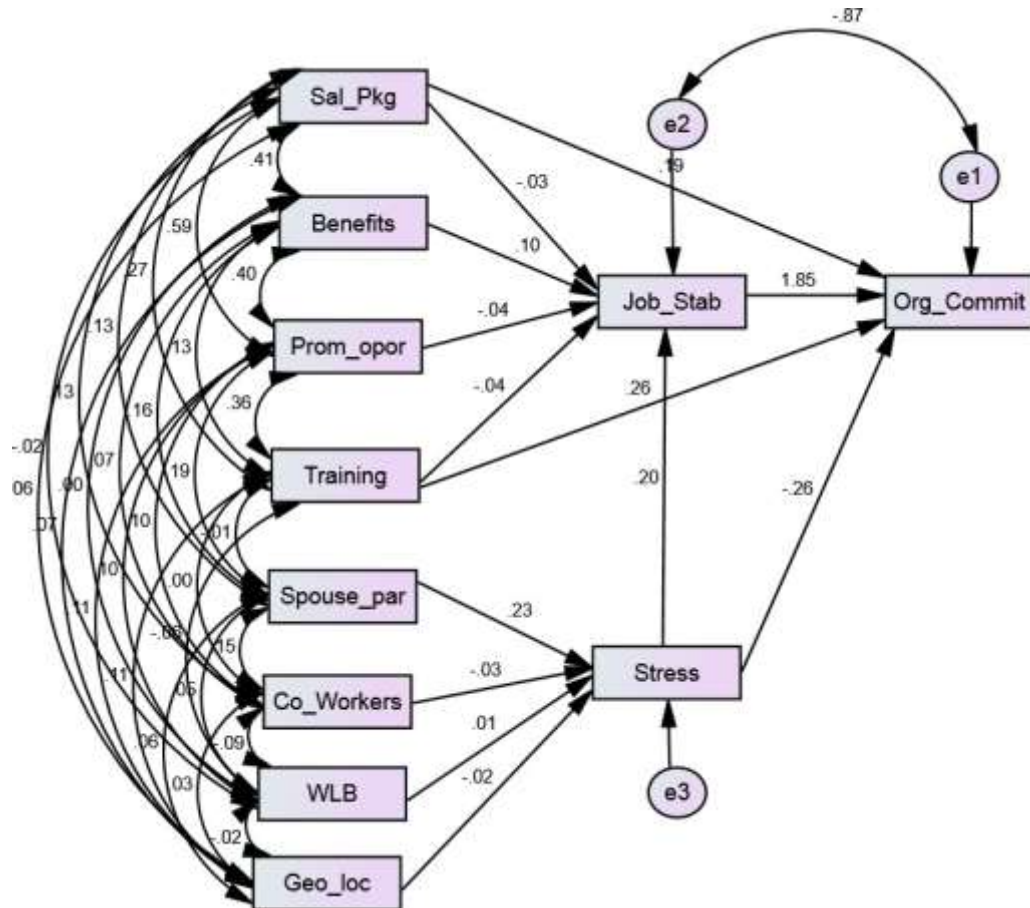
Table 2: Model fit Summary

Model	NPAR	CMIN	DF	P	CMIN/DF
Default model	64	58.091	13	.000	4.469
Saturated model	77	.000	0		
Independence model	22	659.861	55	.000	11.997
Model	NFI Delta1	RFI rho1	IFI Delta2	TLI rho2	CFI
Default model	.912	.628	.930	.685	.925

Saturated model	1.000		1.000		1.000
Independence model	.000	.000	.000	.000	.000

As obtained in the literature the goodness of fit of a model tends to explain the extent in which it fits both the observed and expected values. However, comparing the values obtained from the analysis (see Table 2) with the recommended benchmark values, it could arrive to a conclusion that the model is fit.

Figure 2: Structural Model with Standardized Parameter Estimates



Goes up by 1 standard deviation, Job_Stab goes down by 0.03 standard deviations. The regression weight for Prom_opor (Promotion Opportunity) in the prediction of Job_Stab is not significantly different from zero at the 0.05 level, when Prom_opor increases by 1 standard deviation, Job_Stab decreases by 0.04 standard deviations. In addition, in the prediction of Job_Stab, the regression weight for Training is not significantly different from zero at the 0.05 level, which implies that when Training goes up by 1 standard deviation, Job_Stab goes down by 0.044 standard deviation. Expectedly, in the prediction of Org_Commit, the regression weight for Stress is not significantly different from zero at the 0.05 level. In other words, when Stress increases by 1 standard deviation, Org_Commit decreases by 0.259 standard deviations.

III. CONCLUSION

The survey examined the relationship between compensation management and organizational commitment in developing economy, evidence from Indian manufacturing companies. The proposed variables emanated from the major constructs of the survey were tested and analyzed with the use of Structural Equation Modeling (SEM). Based on the results obtained, close association exists among tested variables. Expectedly, increase in salary tends to have positive impact on job stability, but on the contrary it has negative impact. This could be as a result of high expectation from the management based on the pay raise. Therefore, decision makers should understand that pay increase may not make employees remain on their jobs.

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