International Journal of Engineering Technology, Management and Applied Sciences

IJETMAS

www.ijetmas.com August 2016, Volume 4, Issue 8, ISSN 2349-4476

Effect of Compensation on Job Performance: An Empirical Study

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ABSTRACT

The aim of this study is to investigate the effect of compensation (CN) on job performance (JP). For exploring the result, various items of CN and JP have been taken into consideration for measuring their effect. And for reaching the objective of this study, the authors have conducted a questionnaire survey and data have been collected from 261 respondents who are working in twenty different readymade garment organizations (RMGs) in Chittagong, Bangladesh. The theoretical analysis indicated that proper strategy and policy based compensation scheme can enhance the job performance of the employees. Because, employees will confer the maximum effort for providing best performance when a compatible (with current market situation) compensation scheme is offered and maintained by the organizations. Thus, compensation (CN) has a significant effect on job performance (JP). The quantitative analysis demonstrated that there is a strong and positive relationship between compensation and job performance. The study has both, theoretical and practical implications for the garment organizations as well as other sectors too. Limitations and future directions for this study are also discussed.

Key words: Compensation, readymade garment organizations (RMGs), Job performance

1. INTRODUCTION

In the age of global competition, it is very essential to identify and retain the efficient, competent and knowledgeable employees in organization by developing and maintaining an effective compensation program for getting the best job performance from the employee. The study demonstrates an identification and explanation of the effect of compensation on job performance at readymade garments (RMGs) sector in Chittagong, Bangladesh. There are attempts by many organizations today to identify innovative compensation strategies that are directly linked to improve organizational performance (Appelbaum, & Mackenzie, 1996) as well as job performance. According to Balkin and Gomez-Mejia (1987), Gerhart and Milkovich (1990), Gomez-Mejia and Welbourne (1988), Lawler (1981 & 1990), organizations have considerable discretion in choosing compensation strategies for their managers and other level's employees which concerns with at least two options: fixed pay (salary) and variable pay (bonus, incentive plans, and profit-sharing). Compensation system is a specific area of study (Banker, Lee, Potter, & Srinivasan, 1996; Becker & Gerhart, 1996; Becker & Huselid, 1998; Shaw, Gupta, & Delery, 2002), under the broad area of human resource management practices (Becker & Gerhart, 1996; Becker & Huselid, 1998; Huselid & Becker, 2000), which is highly related with job performance. Considering the necessity and complexities of compensation facts for job performance (Becker & Gerhart, 1996; Becker & Huselid, 1998; Bloom, 1999; Bloom & Michel, 2002), authors decide to investigate the effect of compensation on Job Performance at the readymade garments (RMGs) sector in Chittagong, Bangladesh

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2. LITERATURE RIVIEW

It is first necessary to incorporate about various determinants of compensation on which previous researchers have most strongly emphasized. In 1990 (Gerhart, & Milkovich) have emphasized on 'employee and job characteristics' for explaining about compensation and Organizational performance. Brown, et al., (2003) investigated the relationship between organization-level compensation decisions and job performance and they examined how companies' pay structures and pay levels relate to resource efficiency, patient care outcomes, and financial performance. It is observed that there are many approaches to incentive compensation such as cash bonuses, stock purchase and profit sharing and it is also examined that individual and group incentive concept can be associated with reward and compensation for business community (Appelbaum, & Mackenzie, 1996). Again there is a study, demonstrated that executives in externally controlled firms receive more compensation for performance and less for scale of operation and the finding held true for both compensation level and its rate of change over time for performance (Gomez-Mejia, Tosi, & Hinkin, 1987). Furthermore economic and psychological thought predict that the design and implementation of a performance measurement and compensation system affect the motivation of employees (Herpen, Praag, & Cools, 2005) and job performance.

A considerable amount of literatures have been published on compensation that are theory based and showed the effect of compensation on job performance. For instance, Becker (1975) investigated 'Human capital theory' which identifies several employee attributes such as investments in training, formal education, on-the-job training and labor market experiences (Mincer, 1974) associated with lifetime earnings and the earnings link with employee's compensation. This theory also specifies that cognitive ability, a strong predictor of job performance and compensation (Hunter & Hunter, 1984).There is another theory on compensation known as 'agency theory' measured by Eisenhardt, (1989), suggested that it is appropriate to use agency theory to examine internal compensation schemes. Stroh, Brett, Baumann, & Reilly, (1996) also assessed on the effects of organization-level, agency-theory-based variables on the proportion of compensation variable for maximum level of job performance. However, most agency theory research has focused on top executive compensation (Balkin & Gomez-Mejia, 1990; Beatty & Zajac, 1994; Gerhart & Milkovich, 1990; Westphal & Zajac, 1994), that's concerns strongly with job performance. Margret Baltes, Paul Baltes, and their colleagues, (1990), developed a-selection, optimization, and compensation (SOC) model- that deals with the limitations of personnel resources (Bajor, & Baltes, 2003) for the organizational performance. Baker, Jensen, & Murphy, (1988) reported that compensation is largely an independent variable which conveys many common features of organizational incentive systems connected with job performance.

Recent evidences suggest that there are direct and indirect financial compensation forms which are involved with job satisfaction and job performance of employees (Sopiah, 2013) in an organization. Another latest research study conducts to find the impact of compensation on job performance and subsequently present a model that illustrates a relationship between them. According to this model, compensation to the employees should be paid attention to, which would result in enhanced job performance (Qureshi, & Sajjad, 2015).

2.1. Concept of Compensation:

Compensation is all forms of financial returns and tangible services and benefits employees receive as part of an employment relationship (Milkovich and Newman 1999) i.e., compensation surrounded by the employee wages and salaries, incentive-payments, bonuses, and commissions. Employee compensation contains all forms of pay and rewards received by employees for the performance of their jobs" (Snell & Bohlander, 2010, p.378). According to Dessler (2011) employee compensation means all forms of pay or rewards going to employees and arising from their employment and it may be direct financial payments (Pay in the form of wages, salaries, incentives, commissions, and bonuses) and indirect financial payments (Pay in the form of financial benefits such as insurance).

2.2. Different Compensation System:

Many researcher and scholars have explained about compensation and job performance from the different point of view or aspects and these are Performance-Based-Compensation, Merit-Based-Compensation, Outcome-Based Compensation, Competency-Based-Compensation, Equity Based-Compensation and so on. A short brief on these mentioned compensation system is prescribed below:

2.2.1.Performance-Based-Compensation:

In 1988, Baker, Jensen, & Murphy provided an explanation on performance-based compensation plans, indicates that explicit financial rewards are an important part of a worker's compensation. Delery and Doty (1996) demonstrated performance-based compensation as the single strongest predictor for job performance. Furthermore, a study conducted on compensation and performance (Coopers and Lybrand, 1992; Karr, 1999; Hamilton, 1999; Schlesinger and Heskett, 1991; Buchholz, 1996; McClaim, 1998; Pfeffer, 1998) associated with performance-based incentive program at every level of an organization. Besides that, Banker, Lee and Potter (2000) focused on performance- based compensation which increase an organization's overall productivity by attracting and retaining more productive employees. In contrast, individual performance evaluation may involve discretion and subjectivity, as well as nonfinancial and financial performance criteria (Bushman, Indjejikian, & Smith, 1996) which also concerns with the compensation policy and strategy.

2.2.2. Merit-based-Compensation

Several prominent scholars (Fein, 1976; Lawler, 1971, 1981) support on merit-based-compensation, described that merit-based compensation system for job performance lead to higher organizational performance and it is necessary for motivating employees where merit-based rewards also concerned. On the other hand, some other researchers reported that there is an effect of merit pay compensation system on managers but statistical analysis indicated that the merit pay program had no effect on organizational performance, suggesting that merit pay may be an inappropriate method of improving organizational performance (Pearce, Stevenson, & Perry, 1985).However, although merit pay and bonuses for managers are common forms of compensation, there have been no rigorous tests of their effectiveness (Dyer & Schwab, 1982) for the better job performance in an organization.

2.2.3. Outcome-Based Compensation

Outcome-based compensation is increasingly being used by many organizations especially in service industries. Banker, Lee, Potter, and Srinivasan (1996) identified some major reasons for this outcome-based compensation that are for motivating employees, gaining strategic advantages, understanding and focusing customer needs and satisfaction and so on. From the another point of view, Schlesinger & Heskett, (1991); Zeithaml et al., (1993) emphasized on Outcome-based compensation in order to enhance customer satisfaction and gain a competitive advantage, getting high customer interaction, ensuring more production and consumption by which organizations can reach its target level, also can utilize the opportunities from buyers and sellers to command price premiums through the outcome-based compensation (Forbis & Mehta, 1981).

2.2.4. Competency-Based-Compensation

The word competency was brought into the public arena in the USA in the early 1980s by Boyatzis (1982). He defined competency as 'an underlying characteristic of an individual which is causally-related to effective or superior performance'. According to Liebegott (2015), Competency-based compensation policy is a pay structure that rewards employees based on how well they perform in the workplace, rather than the hierarchy of their position or years of experience. With a competency-based compensation policy, the only thing standing between the employees and a greater wage is how much they contribute and how well they perform. With this method employees' often more likely to take a greater initiative and contribute competitive advantage for the organization. For creating a culture of self-improvement and wide productivity is through a competency-based compensation policy or structure. This compensation structure offers a tangible reward for the employees who are dedicated to growing their skills and improving themselves. When the employees dedicate their time- even outside of the 40-hours per week to growing organization's products and services, they will not only contribute to the success of the company, but also be motivated by the compensation structure they receive for their dedication from the organization (www.knowledgewave.com/blog/competency-based-pay-structure-ad...).On the other hand, Competency or skill-based pay is a compensation system that rewards employees with additional pay in exchange for formal certification of the employee's mastery of skills, knowledge, and/or competencies (Gerald et al., 2011). Besides , Armstrong and Brown (1998), investigated that competency frameworks have a role in main HR functions in as many as 70 per cent of organizations and competencies are used mainly in performance management, recruitment and selection, and training and development (Competency and Emotional

Intelligence Benchmarking Survey, 2002). However, this distinction is not always clear in the subsequent literature, or certainly in practice. Armstrong (1999), for example talks about 'hard' or work-based competences which are expectations of job performance and the standards of outputs (Neathey & Reilly, 2003).

2.2.5. Equity Based-Compensation

The general idea of equity based compensation is to offer employees a share of the company's future profits in exchange for lower (or sometimes zero) salaries up front. For maintaining equity –based compensation policy a consulting lawyer is needed before making any formal offers (Bhashyam, 2014). Equity based compensation not only lessens the up-front financial burden of paying out sky-high salaries, but it also attracts employees who are committed to working harder in order to ensure their financial wellbeing and the success of the company. Equity compensation, no matter the form, is typically subject to restrictions. Most importantly, equity compensation is usually subject to vesting, which means that an employee must hit certain performance or time-based (more common) milestones in order for all of the stock. How much of one's compensation is in salary and how much is in equity depends less on the role (e.g., business development, engineer) and more on company maturity (https://equityzen.com/team). Equity-based pay spread at explosive rates in the United States during the 1990s. Morgenson, (1998) reports that in 1997, the 200 largest U.S. companies had reserved more than 13 percent of their common shares for compensation awards to managers, up from less than seven percent eight years earlier (Ofek & Yermack, 2000). A study (Mehran 1995) showed that equity-based compensation is used more extensively in firms for ensuring maximum performance. Arnolds and Boshoff (2002) demonstrated a link/relationship between the job performance, job satisfaction and individual personality differences on which there is a effect of equity based pay among people which are also related with compensation policy.

Finally, from the above composition of compensation, it is lucidly stated that compensation contains a comprehensive pay structure for the employees in an organization and it may be based on performances, merits, outcomes, competences, equity (PBCNP, MBCNP, OBCNP, CBCNP and EBCNP) and so on. But in Bangladesh, garment organizations follow an extensive compensation structure relevant with labor law or government provided compensation policy for the workers and employees where only in case of managerial level employees' payment structure depends on the strategy and policy of a garment enterprise.

2.3. Job Performance:

Now - a- day's job performance is a vital issue for the employee's development as well as organizational development. Job performance cannot be defined from any specific way. It depends on the size, policy and strategy of an organization. It is also concerns with day-to-day or routine operations relevant with one's duties and responsibilities. There is a number of authors define performance from different ways. Hellriegel, Jackson, and Slocum (1999) define performance as the level of an individual's work achievement after having exerted effort. Whetten, Cameron, and Woods (2000) believe that performance is an individual phenomenon with environmental variables. Laitinen (2002) suggests that performance "can be defined as the ability of an object to produce results in a dimension determined a priori, in relation to a target" (p. 66). For identifying employees' job performance (Becker, Billings, Eveleth, & Gilbert, 1996), some necessary elements or factors (Liao & Chuang, 2004) must be needed to consider, such as; communication, job knowledge, creativity/innovation, technology skills, problem solving, attitude, sense of accountability, and culture fit etc. It is the part of HRM (Borman, 2004) commonly refers to whether a person performs his/her jobs well, relates to organizational outcomes and success. From a psychological perspective (Campbell, et al., 1990), describes job performance as an individual level variable. That is, demand of job effect the job performance (Jones, Chonko, Rangarajan, & Roberts, 2007) which is most important dependent variable in industrial and organizational psychology. A number of studies (e.g., Tsui, Pearce, Porter, & Tripoli, 1997; Heilman, Block, & Lucas, 1992; Pearce & Porter, 1986; Welbourne, Johnson, & Erez, 1998, Williams & Anderson, 1991) have suggested several factors to measure job performance. The aforementioned discussion shows that job performance can be measured by quantity, quality, accuracy of work, employee's efficiency and standard of work, employees' striving for higher quality of work, achievement of work goals, and also organizational policy and strategy too.

Though, there are so many research study has been conducted on compensation and job performance, no empirical research about the effect of compensation on job performance from the perspective of readymade garments sector in Bangladesh is found. This research gap has instigated the authors to conduct the present study.

3. RESEARCH OBJECTIVES

The major objective of the present study is to investigate the effect of compensation on job performance at readymade garments (RMGs) in Chittagong, Bangladesh.

To attain the main objective, this study sets the following objectives;

3.1. To investigate the relationship between compensation and job performance measured by the employees' perceptions who are working at RMG sector in Chittagong.

3.2. To address some implications and recommendations for management to maintain proper strategy of compensation for improving job performance and getting maximum output from the employees at RMG sector in Chittagong, Bangladesh.

4. THEORETICAL PROPOSITIONS AND DEVELOPMENT OF HYPOTHESIS

4.1. Theoretical relationship between compensation and Job performance

The aforementioned propositions provided by the various researchers and authors in the literature part severally showed an indirect dissertation about the relationship between compensation and job performance. But some prominent scholars measured and showed the direct dissertation about the relationship of compensation and job performance. For instance, Bajor and Baltes (2003) measured though selection-optimization-compensation and investigated that there is an effective and strategic relationship between compensation and job performance. Moreover many firms link with compensation to job performance by implementing performance – based incentive programs at every level of the organization (Schlesinger and Heskett, 1991; Coopers and Lybrand, 1992; Buchholz, 1996; McClaim, 1998; Pfeffer, 1998; Karr, 1999; Hamilton, 1999). While several research studies again showed a relationship between compensation and job performance and documented that performance - based incentive plans result in performance improvements (Wagner et. al., 1998; Banker et al., 1996; Lazear, 1999), in the organizations.

The another study (Mehran 1995) identified a positive relationship between job performance and equity-based compensation policy which showed that equity-based compensation is used more extensively in firms for ensuring maximum performance. Arnolds and Boshoff (2002) shown a link/relationship between the job performance, job satisfaction and individual personality differences among people which are also related with compensation policy.

This section of present study explores the relationship or linkages among job performance, job standard, job strategy and the type of compensation policy. Chow (1983) showed in a study that the type of compensation scheme not only affect the workers' effort but also job performance of the employees in an organization. There is an another study supports that a firm's compensation strategies make a greater contribution to firm performance (Gomez-Mejia, 1992). In addition, a study conducts to find the impact of compensation on job performance in the middle-east country and subsequently present a model illustrating a relationship between them (Qureshi & Sajjad, 2015). The above mentioned literature evidenced that there is a significant relationship between compensation and job performance.

Though the organization may follow performance-based compensation policy (PBCNP), merit- based compensation policy (MBCNP), outcome- based compensation policy (OBCNP), competence- based compensation policy (CBCNP) or equity-based compensation policy (EBCNP) individually or combining two- three policy or any other technique but these all are included as implicit compensation policy under the comprehensive structure of compensation scheme of an organization which are significantly linked with job performance. Thus the assumed hypotheses are;

4.2. *Major explicit Hypothesis:* ***H- There is a positive relationship between compensation (CN) and Job performance (JP) identified by the perceptions of the employees of the garment organizations.***

For the attainment of major hypothesis; the other hypotheses which are associated with the major hypothesis is stated in below -

H^1: There is a positive relationship between performance-based compensation policy (PBCNP) and Job performance (JP).

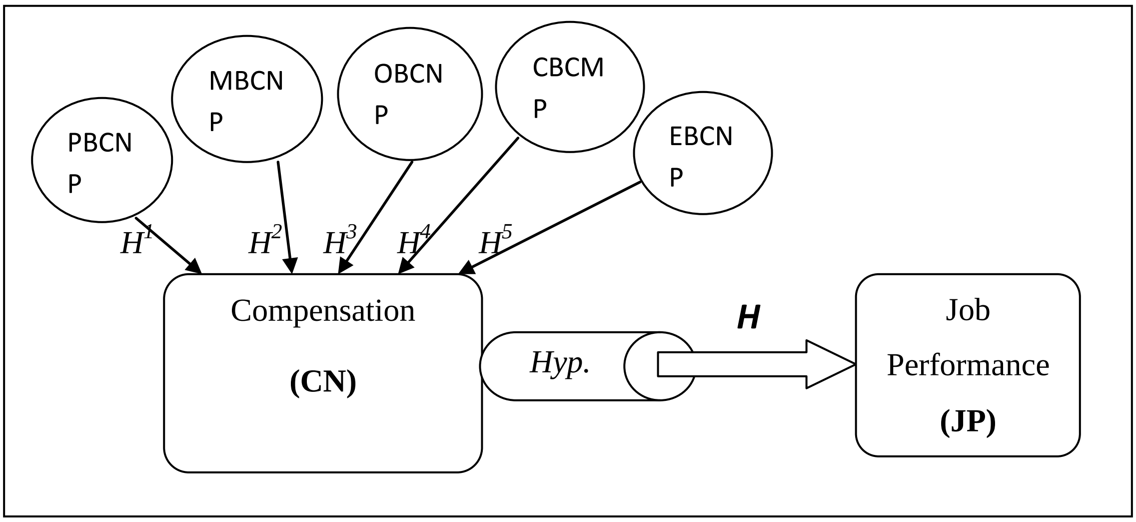
H^2: There is a positive relationship between merit- based compensation policy (MBCNP) and Job performance (JP).

H^3: There is a positive relationship between outcome- based compensation policy (OBCNP) and Job performance (JP).

H^4: There is a positive relationship between competence- based compensation policy (CBCNP) and Job performance (JP).

H^4: There is a positive relationship between equity-based compensation policy (EBCNP) and Job performance (JP).

On the basis of the aforementioned propositions and hypotheses, a hypothetical framework has been depicted for Compensation (CN) and Job Performance (JP):



Source: Authors' own research

Figure:1 Hypothetical framework of compensation (CN) and job performance (JP).

The above Hypothetical Framework has showed that there a positive effect of compensation (CN) on job performance (JP).Because, if the compensation scheme, policy or strategy is well defined, systematic or fair for all employees then they will be motivated and satisfied and for that job performance (JP) of the employees will be increased. Moreover, it is also represented that COMPENSATION scheme may be structured or allocated with performance-based compensation policy (PBCNP), merit- based compensation policy (MBCNP), outcome- based compensation policy (OBCNP), competence- based compensation policy (CBCNP) and equity-based compensation policy (EBCNP); positively associated with job performance i.e., if the quantitative data analysis for compensation is (connected by PBCNP, MBCNP, OBCNP, CBCNP and EBCNP) determined positively related with job performance, that will mean that there is a positive relationship between PBCNP and JP, MBCNP and JP, OBCNP and JP, CBCNP and JP, EBCNP and JP, i.e., a overall positive association between compensation (CN) and job performance (JP).

5. RESEARCH METHODS

5.1. Survey Instruments

This study has been conducted using an exploratory research design and it adopted the following measures of instruments for compensation and job performance.

5.1.1. Survey instrument for compensation

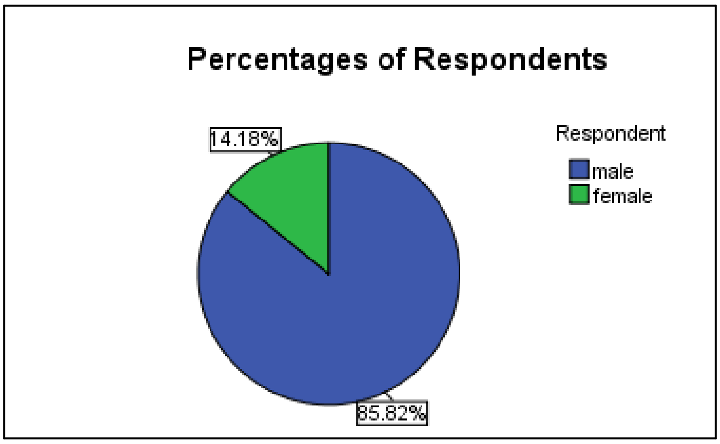
The statements of COMPENSATION (concerned with PBCNP, MBCNP, OBCNP, CBCNP and EBCNP) for conducting the present study initiated from different research study (Banker et al., 2000; Delery et al., 1996; Alnaqbi, 2011; Ahmed, 2013;; Chew, 2004; Fein, 1976; Ferdausy, 2015; Masood, 2010; Pearce, et al., 1985; Rathnaweera, 2010; Sozer, 2004; Sopiah, 2013; Schlesinger, & Heskett, 1991; Zeithaml et al., 1993; Gomez-Mejia, 1987) and after a pilot survey from some garments organizations, the instrument of compensation has been finalized for measuring the effect of compensation on job performance. Finally 10 items have been used to measure the perceptions of respondents on compensation. The items have been measured on a 7-point Likert scale ranging from 7 (strongly agree) to 1(strongly disagree). A higher score indicates a greater effect of compensation on job performance. Sample items are 'compensation scheme for all employees is directly linked to their performance', Compensation is decided on the basis of merit of the employee in my organization. 'My organization's compensation scheme matches to the expectation of employees with competence', 'my organization emphasizes on outcome-based compensation policy for the employees' 'My organization offers both financial and non-financial rewards given without discrimination i.e., compensation is equity- based,' 'The compensation policy is revised with the changing competitive rate of other organizations,' etc.

5.1.2. Survey instrument for Job Performance

The items of job performance have been taken from Tsui, Pearce, Porter, and Tripoli's (1997) and 11 items were used to produce an instrument for measuring the job performance. The items have been measured on a 7-point Likert scale ranging from 7 (strongly agree) to 1 (strongly disagree). Sample items are 'my quantity of work is much higher than average', 'my quality of work is standard than other' etc.

5.2. Respondents

The study has been conducted taking garment organization's employees as respondents and data have been collected from 261 respondents who are working as managerial employees/mid-level employees (deputy manager, assistant manager, senior officer etc.) / entry-level (officer, executive, Jr. officer etc.) employee in different garment organizations in Chittagong, Bangladesh. The respondents have been asked for giving their opinions on the various items of compensation and job performance from the perspective of their respective organization and they have been assured that any information provided by them would be kept confidential and would be used for only academic purposes.



Source: Authors' own-contribution

Figure:2 Percentages of Respondents of the current study.

The usable number of responses in this study is 261 while male respondents are 224 (85.82%) and female respondents are 37(14.18%). The age range of respondents are from 20-69 years while 48 (18.39%) respondents from 20 to 29 years, 89 (34.10%) from 30 to 39 years, 82 (31.42%) from 40 to 49 years, 30 (11.49%) from 50 to 59 years and 12 (4.60%) from 60 to 69 years. The range of experiences for the respondents have been initiated from 0 to 10 years, 11 to 20 years, 21 to 30 years, 31 to 40 years while respondents comprised under these ranges as 108 (41.38%), 100 (38.31%), 38 (14.56%) and 15 (5.75%) consecutively. There are 36 (13.79%), 180(68.97%) and 45 (17.24%) from top, middle and low level participants respectively and they are from different departments; for instances 60 (22.99%), 49 (18.77%), 50 (19.16%), 59 (22.61%), 28 (10.73%) and 15 (5.75%) gradually from HRM & Admin, Production, Industrial Engineering(IE), Compliances, Maintenance/Technical and other departments in different garment organization. The maximum number of participants are well educated; 50 (19.16%) are master degree holders, 195 (74.71%) are bachelor degree holders and others 16 (6.13%) holds different diploma or other degree relevant with different working area.

5.3. Data collection procedure

A purposive sampling technique has been used in this study for selecting twenty garments company from the Chittagong city. Twenty employees have been selected with judgment from each garment organization for data collection. A predesigned survey questionnaire has been sent to collect data on various items of compensation and job performance. Selected employees have been asked to give their opinion regarding various statements of compensation and job performance on a seven-point Likert scale from 1 (strongly disagree) to 7 (strongly agree).

The questionnaire had been sent to 380 employees who are working in different garment enterprises and only 261 (68.7%) usable responses have been accepted for the study purposes. All data received from the survey have been entered into an Excel file for summarization and then imported into the SPSS statistics 16.0 database. Quantitative data analysis has been carried out first to determine the normality of the distributions of the variables. Descriptive statistics, such as means and standard deviations have been generated for relevant variables. In addition, inferential statistics, such as correlation and regression analysis have been used to investigate the effect of compensation on job performance of the employees who were working at selected twenty garment organizations at Chittagong city.

5.4. Reliability of scales and Validity of data.

In case of reliability test, the most popular Cronbach's alpha method (Page & Mayer, 2000; Cooper & Schinder, 2001; Malhotra, 2002; Hair et al., 2003) has been used in this study. Cronbach's alpha for compensation, $\alpha = 0.\ .85$ and for job performance, $\alpha = 0.88$ which are satisfactory and highly reliable for data collection. In this study, the existence of criterion validity is very strong. Because criterion validity denotes the criterion variables i.e., demographic characteristics, attitudinal, and behavioral measures those are collected at a time. Content validity is also presented because the measurement instruments provide adequate coverage of the topic under this study.

6. RESULT ANALYSIS

Table – 1 reveals descriptive statistics i.e., mean (M), standard deviation (SD), and Pearson correlation coefficients of compensation (CN) and job performance (JP). The mean and standard deviation for CN and JP are consistent with the previous research (Brown, et al., 2003; Gomez-Mejia, Tosi, & Hinkin, 1987; Baker, Jensen, & Murphy, 1988; Qureshi, & Sajjad, 2015; Sopiah, 2013; Schlesinger and Heskett, 1991; Coopers and Lybrand, 1992; Buchholz, 1996; McClaim, 1998; Pfeffer, 1998; Karr, 1999; Hamilton, 1999; Arnolds, & Boshoff, 2002; Gomez-Mejia, 1992). It is mentioned that the mean (M), standard deviation (SD) and inferential statistics of compensation and job performance have been calculated for the first time taking samples from selected twenty garment organizations at Chittagong city, Bangladesh which are consistent with previous study.

www.ijetmas.com August 2016, Volume 4, Issue 8, ISSN 2349-4476

Table: 1- Mean, Standard Deviations, Reliabilities, and Correlations between Compensation and Job performance

Variables	M	SD	α	Correlations	
				1	2
1. CN	6.0	.66	0.85	1	.98**
2. JP	5.9	.74	0.88	.98**	1

Source: Authors' own research

**. Correlation is significant at 0.01 levels (2-tailed). N = 261. CN = Compensation; JP = Job Performance. M = Mean; SD = standard deviation; α = alpha.

Correlation between compensation and job performance has been demonstrated in Table – 1 is strongly significant. As the results revealed a strong significant and positive relationship between CN and JP ($r = 0.98$, $p < 0.01$) the predicted hypothesis is supported by the results. Though the instrument of compensation (CN) has been developed with the items of PBCNP, MBCNP, OBCNP, CBCNP and EBCNP, it can be stated that there is a strong positive relationship between all the identified policies of compensation and job performance.

Table – 2 demonstrates only 4%, and 5% of the variance in compensation and job performance have been explained by socio-demographic features (e.g. gender, experience, position, education, department and age,). This indicates a large portion of variance in compensation and job performance is unexplained. These unexplained variances suggest that there are other potential facts which have an account for variations in the compensation and job performance.

Table 2: Summary of Regression Analysis of Demographic Characteristics with CN and JP

Covariates	Co-efficient (β)		S.E. (β)		Value of t-statistic		Value of R^2		Value of F-statistic	
	CN	JP	CN	JP	CN	JP	CN	JP	CN	JP
Gender	.030	.029	.119	.133	.250	.216	.040	.050	1.75	1.56
Exp	-.124	-.133	.096	.107	-1.28	-1.24				
Position	-.380	-.409	.135	.150	-2.82	-2.71				
Education	.148	.151	.107	.119	1.39	1.27				
Dept	.026	.028	.028	.032	.919	.879				
Age	-.002	-.013	.086	.096	-.023	-.132				

Source: Authors' own research

** Correlation is significant at the 0.01 level (2-tailed). N = 261; CN = Compensation; JP = Job Performance.

Table – 3 indicates that about 97% of the variance in Job Performance has been explained by Compensation (included PBCNP, MBCNP, OBCNP, CBCNP and EBCNP) with very minimum level of unexplained variance. It is, therefore, argued that there is a strong effect of compensation on job performance. Thus compensation (CN) is a significant predictor in explaining job performance (JP).

Table – 3: Summary of Regression Analysis with Compensation (CN) and Job Performance (JP)

Predictor	DV	Coefficient (β)	S.E. (β)	Value of 'T'	Value of 'R^2'	Value of 'F'-statistic
CN	JP	1.09	.012	94.38**	.97**	8.91**

Source: Authors' own research

** Correlation is significant at the 0.01 level (2-tailed). N = 261; CN = Compensation; JP = Job Performance. DV = Dependent Variable.

7. DISCUSSIONS

The findings of the study supported that there is a strong and significant effect of Compensation (including PBCNP, MBCNP, OBCNP, CBCNP and EBCNP) and Job Performance perceived by the respondents of garment organizations. The major objective of this study is to investigate the effect of compensation (CN) on job performance (JP) at readymade garments (RMGs) and the predicted hypothesis states that there is a positive relationship between compensation and Job performance measured by the respondents' perception. The result of the current study supported this argument. The strong and significant effect of compensation on Job performance is relevant with the findings of previous studies (Baker, Jensen, & Murphy, 1988; Qureshi, & Sajjad, 2015; Sopiah, 2013; Schlesinger, & Heskett, 1991; Gomez-Mejia, 1992 Coopers, & Lybrand, 1992; Arnolds, & Boshoff, 2002; Buchholz, 1996; McClaim, 1998; Karr, 1999; Hamilton, 1999). The result provides a theoretical proposition that fair and systematic compensation strategy and policy is necessary to enhance job performance.

7.1. Implications of the study

The study has a great significance on theoretical and empirical research that will ultimately change the way economists, behaviorists and practitioners think about compensation as well as job performance. Actually this is a major growth area for research in management and economics too. Both theory and empirical research suggest compensation and job performance are each important for understanding the organization-level implications of pay policy and job performance. Furthermore, the theoretical implication of this study provides a valuable contribution in the field of literature. A better understanding of the practices of compensation and job performance in the garment industries only can address the gaps currently existing in the literature and also can enhance the body of knowledge from the academic perspective.

From a practical view of point, the study indicates the strategic capability of compensation and job performance practices in the garment industries. The current study is relevant to researchers, academics, practitioners and business leaders because the findings may help them to identify the ways to improve the strategy and policy of compensation for addressing best performance of the employees who are working at different garment industries.

7.2.Limitations of the study

Due to some constraints, the study has some limitations. One of the limitations is using purposive sampling technique rather than random sampling technique which might limit the generalizability of the findings. The sample of twenty (20) garment organizations and the sample size (N = 261) posed another limitation of this study. The other limitation of this study is to use of self-rated instrument which is the short of 360° assessment where senior bosses, supervisors, colleagues and peers could rate about actual respondents or participants on the relevant characteristics. The presence of common method variance (CMV) in the measures may have caused inflated relationships between independent (CN) and dependent variable (JP). Again due to some practical obligations, this paper cannot be provided a comprehensive literature review of compensation (CN) and job performance (JP) and another potential limitation is that the scope of this study may be too broad.

7.3 Future Directions

The study recommends for future research on compensation-diversification strategy relations and their interactive effects on job performance with more extensive literatures. As the result of the effects of compensation and job performance is very interesting, it is necessary for further investigation on the relationship of compensation (CN) and job performance (JP) included RMGs and other industries, taking a larger and more representative sample. Additionally, more study can be conducted for investigating the impact of compensation (taking PBCNP, MBCNP, OBCNP, CBCNP and EBCNP separately) on organizational commitment and human resource development. Because future research would be benefited from a large sample size and using a variety of samples for this kind of research study. Again the result of present study has been measured following the deductive research approach; it can also be measured by using inductive approach for further study. Furthermore, research examining the relationships between compensation and other dependent variables, such as task performance, turnover- intention, employee commitment or productivity; will produce more interesting results. This type of study can also be conducted with human resources management and organizational behavior too. Lastly, in some RMGs, besides a fair strategy and

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policy of compensation; technologies, processes, techniques and ideas should be concerned for improving job performance.

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