

ROLE OF COMPENSATION ON EMPLOYEE PERFORMANCE IN AN EDUCATIONAL INSTITUTION

☛ **Thrishanth Kumar**, Assistant Professor , Smt. I. S. Yadawad Government First Grade College, Ramdurg ,Belagavi

Email id : thrish23@gmail.com, ph.no: 9964243454

☛ **Sowmya Hegde**, Assistant Professor, SDM College of Business Management, Mangalore

Email id: sowmyahegde24@gmail.com, Ph. No. :9743171644

Abstract:

Human resource development is concerned with the development of learning aspects, identifying training needs and total organizational growth with the help of employees' unique performances. Compensation plays very important role for the performance of the employees. Therefore, they are very important for the organization too. Compensation is output and the benefit that employee receive in the form of pay, wages and also same rewards like monetary exchange for the employee's to increases the performance of employee positively. The purpose of this research is to measure the role of compensation on employee performance in an educational institution. The study reveals that the compensation does have a role to play on employee performance in educational institutions. In fact it also helps in increasing job satisfaction as well as retention of the employees.

Key Words:

Compensation

Employee

Performance

Salary

Incentives

Job satisfaction.

Introduction

Compensation is a vast concept and it has vital role in organizational success. To improve employee job performance and employee standard of living compensation

gives valuable platform in the present scenario.

The main objective of the compensation system can be broadly classified into is divided into, direct and indirect forms of compensation. Direct compensation includes

wage and / or salary aspect on the other hand indirect compensation is the fringe benefits a worker enjoys as a result of working in an organization. By clubbing two packages will encourage the achievement of an organizations goal and individual's overall growth.

It is proved that a high level of job satisfaction and organizational involvement in individuals has a positive impact on their work performance. Compensation in the current situation is playing a significant role to improve employee morale, job satisfaction and commitment in employees whether they are working in any type of work situations.

Literature Review

According to **David A. DeCenzo (2004)**, the main objective of the compensation system can be broadly classified into is divided into, direct and indirect forms of compensation. Direct compensation includes wage and / or salary aspect on the other hand indirect compensation is the fringe benefits a worker enjoys as a result of working in an organization.

Gomez – Mejia, Balkin and Cardy (2006) states that, employee compensation as encompassing of cash pay and fringe benefits. Cash/ base pay is the direct pay provided by employers for work performed and these include salary, overtime pay, shift allowance, uniform allowances and contingencies on performance like good merit awards, incentive

pay, bonuses and while fringe compensating include programs such as social and health security, pension plans, paid time off, tuition reimbursement, foreign service premiums, allowances and so on

In the words of **McNamara (2006)**, compensation focuses on issues regarding wage and/ or salary systems and structures which can be developed from job descriptions, merit-based programs, bonus-based programs, commission-based programs and so on, while benefits include retirement plans, health and life insurance, disability benefit schemes, vacation, employee stock ownership plan and so on.

According to **Miner and Crane (2005)** points out the benefits in connection with each employees' family wellbeing and their dependence. An employee who is a bachelor may expect more money than other benefits, but vise-versa dependent family included employees prefer job security, fixed income and other allowances.

According to **St. Lifer (1994)** identifies job satisfaction mainly resulted with the help of expected salary and various benefits which will bring interest and motivation which in turn affects employee job performance and organizational commitment.

Cascio (2003) opines that to improve employee self –esteem and life style, compensation plays very important role, individuals are very concerned about what they

are paid – a equitable and competitive wage, while organizations are also concerned about what they pay because it boost employee morale and to retain the employees for long period of time in same organizations.

Welthel and Davis (1996) say that, dissatisfied employees increase the turnover, absenteeism and poor mental health which arises mainly on the basis of good or poor compensation. The main objective of compensation is that the employee is concerned to work and a motivated employee does a good job and remained in same organization's for a long duration.

Mark and Ford (2001) mentioned that, by providing god rewards and other facilities will improve employees creativity and willingness to work in the same organizations.

Research objectives

1. To identify the various forms of benefits provided to employees in an educational institution
2. To establish other forms of compensation that the employees would like to enjoy outside their salary
3. To distinguish between the compensation practices in different institutes i.e. affiliated and deemed
4. To identify the scope for innovation in compensation practices

5. To establish the relationship between compensation, benefits and job satisfaction among employees in an educational institution.

Hypotheses

Hypothesis statements based on assumptions include:

H01: There is no relationship between promotion and employee performance.

H11: There is a relationship between promotion and employee performance.

H02: There is no relationship between employee retention and employee performance.

H12: There is a relationship between employee retention and employee performance.

H03: Compensation does not have an influence on employee performance in educational institutions

H13: compensation does have an influence on employee performance in educational institutions

Methodology

The approach used in understanding the role of compensation in educational institute is descriptive and exploratory. Survey method is used to conduct the study on a sample size of 100 employees; survey was conducted in the

colleges in and around South Canara and Udupi district of Karnataka which has more than 100 educational institutions in it. However, we decided to go by few of the reputed colleges namely St Aloysius college,

questionnaire has been designed keeping the research objectives and research questions in mind. It includes a good number of close-ended questions and open-ended

St Agnes college, KMC, NITK Surathkal, Sahyadri, Nitte, SDM, Canara college, Besant college for sample collection by using the non-probability, convenience sampling. The

questions. The questionnaire contains a combination of simple category scale, multiple choice-Single response scale, multiple choice-Multiple response scale, Likert scale.

Findings

1. The employment status of the employees

Gender/ employment status	Permanent	Contract	Temporary
Deemed Male	19	1	1
Deemed Female	28	2	2
Deemed Total	47	3	3
Affiliated Male	20	3	3
Affiliated Female	14	2	5
Affiliated Total	34	5	8

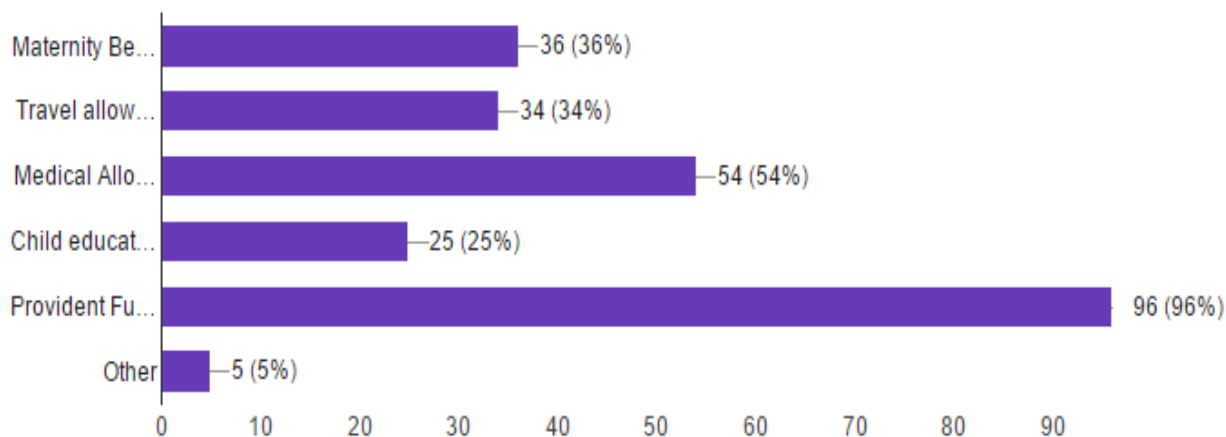
2. The Salary Range of the employees (per month)

Experience (in years) /Salary Range(per month)	<15000	15000-30000	30000-45000	45000-60000	>60000
Below 20	0	0	0	0	0
20-30	6	17	0	1	2
30-40	5	5	8	2	9
40-50	0	1	6	13	12
50 Above	0	0	0	0	13

3. Components of the present compensation package

Components of the present	Maternity benefit	Travel allowance	Medical allowance	Children's education	Provident fund	Others

compensation package						
Total	36	34	54	25	96	5



4. Additional benefits that the employees would like to receive

The employees would like to receive in their compensation package	Flexible timings	Work from home	Increase in earned leave	Holiday packages	Performance incentives	others
Total	45	11	60	29	74	0

74% of the employees would like to receive performance incentives, 45% flexible timings, 29% holiday packages, 60% increase in earned leave, 11% work from home and 0% would like to receive other benefits.

5. How does the management compensate the employees for extra work?

6. Rank in the order of highest priority

6 employees out of the 27 who get compensated for extra work get cash rewards, 20 employees get promotion with salary hike and one gets additional leave. 76.9% of the employees who do overtime get rewarded by promotion with salary hike.

Rank in order of highest priority	Responses
Promotion	39
Participation in decision making	6
Salary	43

Recognition	5
incentives	7

When asked about the different priorities of the employees 43 people gave high priority to salary i.e. salary was their first preference or more important to them, second priority of employees was promotion, third priority was given to incentives, fourth priority was given to participation in decision making and least priority was given to recognition.

Interpretation: The influences of the compensation on different factors suggest that 68% of the employees agree that compensation has an influence over loyalty, 75% of the employees agree that compensation helps in retaining employees. Moreover, 88% of the employees believe that compensation is very important in an educational institution and

76% of the employees agree that an employee’s position has an influence over his compensation.

The innovative practices in compensation that were practiced at the institutions were:

- Performance based incentives
- Research based incentives and Conference participation
- Monetary incentives for exam paper evaluation
- Publish article incentives and teacher guardian allowance
- Monetary incentives for conducting extra-curricular activities like a soft skills program

	DEEMED INSTITUTE (53 Respondents)	AFFILIATED INSTITUTE (47 Respondents)
Level of satisfaction regarding salary	44	12
Compensation helps in retaining employees	45	30
Compensation practice is important in educational intuitions	49	39
Compensation packages provided by the institute	Provident fund(51), Medical allowance(36), Travel allowance(23), Maternity benefit(22),	Provident fund(45), Medical allowance(16), Travel allowance(11), Maternity benefit(14),

	Child education(20)	Child education(6)
Innovative practices	Performance based pay Research based incentives Teacher guardian allowance Publish article incentives	Experience wise increase in salary Food coupon Merit based pay
Extra work compensation	Cash reward(1), Promotion with salary hike(14) Yes-15	Cash reward(4), Promotion with salary hike(5), Compensatory leave(1), Cash reward and promotion with salary hike(1) Yes-11

The level of satisfaction regarding the salary among the employees who took the survey is more in case of deemed institute when compared to affiliated institutes. The employees in deemed institute’s feel that inculcating compensation practices in the organization helps in retaining more number of

employees when compared to affiliated institute’s employees. Because of the more number of innovative practices followed by deemed institute’s the employees feel that compensation practices are important in educational institutions when compared to affiliated institutions.

Hypotheses Testing (1):

H01: There is no relationship between promotion and employee performance.

H11: There is a relationship between promotion and employee performance.

From the data collected in the survey the following information was obtained:

Employees who feel there is a relationship between promotion and employee performance	63
Employees who feel there is no relationship between promotion and employee performance	20

Employees who have a neutral opinion	17
Total	100

	Agree	Disagree	Neutral
Total number of samples	63	20	17
Estimated proportion	0.63	0.2	0.17
Expected observation	39.69	4	2.89

For the null hypothesis to be true, we must compare the frequencies that were observed with the frequencies we could expect.

Observed	63		20	17
Expected	39.69		4	2.89

If the sets are nearly alike; we can reason that the null hypothesis is right.

The calculated value (184.05) is greater than the critical value (5.99) and hence the null hypothesis is rejected and alternate hypothesis is accepted. Hence the hypothesis that there is a relation between Promotion and employee performance is satisfied.

Conclusion

There is a relation between promotion and employee performance.

Hypotheses Testing (2):

H02: There is no relationship between employee retention and employee performance.

H12: There is a relationship between employee retention and employee performance.

Chi Square test

Note: - chi-square value=146.77, Degrees of freedom=2, Significance level (α) = 0.05, Critical value=5.99

Observed frequency	Expected Frequency	Observed-expected	(Observed-expected) Squared	(Observed-expected) squared /expected
63	39.56	23.44	549.43	13.88

20	4	16	256	64
17	2.89	14.11	19.09	68.89

From the data collected in the survey the following information was obtained:

Employees who feel there is a relationship between retention and employee performance	75
Employees who feel there is no relationship between retention and employee performance	07
Employees who have a neutral opinion	18
Total	100

	Agree	Disagree	Neutral
Total number of samples	75	7	18
Estimated proportion	0.75	0.07	0.18
Expected observation	56.25	0.49	3.24

For the null hypothesis to be true, we must compare the frequencies that were observed with the frequencies we could expect.

Observed	75	7	18
Expected	56.25	0.49	3.24

Chi Square test

Observed	Expected	Observed- expected	(Observed- expected) Squared	(Observed- expected) squared /expected
frequency	Frequency	expected	Squared	squared /expected
75	56.25	8.75	351.56	6.25
7	0.49	6.51	42.38	86.49
18	3.24	14.76	217.85	67.24

Note: - chi-square value=159.98, Degrees of freedom=2, Significance level (α) = 0.05, Critical value=5.99

The calculated value (159.98) is greater than the critical value (5.99) and hence the null hypothesis is rejected and alternate hypothesis is accepted. Hence the hypothesis that there is a relation between

employee retention and employee performance is satisfied.

Conclusion: There is a relationship between employee retention and employee performance.

Hypotheses Testing (3):

H03: Compensation does not have an influence on employee performance in educational institutions

H13: compensation does have an influence on employee performance in educational institutions

From the data collected in the survey the following information was obtained:

Employees who feel there is no relationship between retention and employee performance	88
Employees who feel there is relationship between retention and employee performance	10
Employees who have a neutral opinion	02
Total	100

		Disagree	Neutral
Agree			
Total number of samples	88	10	2
Estimated proportion	0.88	0.1	0.02
Expected observation	77.44	1	0.04

For the null hypothesis to be true, we must compare the frequencies that were observed with the frequencies we could expect.

Observed	88	10	02
Expected	77.44	1	0.04

If the sets are nearly alike; we can reason that the null hypothesis is right.

Observed	Expected	Observed-	(Observed-	(Observed-
frequency	Frequency	expected	Squared	squared
				/expected
88	77.44	10.56	111.51	1.44
10	1	9	81	81
2	0.04	1.96	3.814	95.35

Note: - chi-square value=177.79, Degrees of freedom=2, Significance level (α) = 0.05, Critical value=5.99

The calculated value (177.79) is greater than the critical value (5.99) and hence the null hypothesis is rejected and alternate hypothesis is accepted. Hence the hypothesis that Compensation does have influence over employee performance is satisfied. **Conclusion:** Compensation does have an influence over employee performance.

References

Harvard Business School Press(2002), Harvard Business Review on Compensation, 208p.

James F. Reda(2002), Compensation Committee Handbook, John Wiley & Sons, Inc.

Abdul Hameed, Muhammad Ramzan, Hafiz M. Kashif Zubair, Ghazanfar Ali, Muhammad Arslan (2014). Impact of Compensation on Employee Performance (Empirical Evidence from Banking Sector of Pakistan), International Journal of Business and Social Science Vol. 5 No. 2 .

Conclusion

The collected information related to the role of compensation on employee performance in educational institutions is obtained by analyzing primary data (collected through questionnaire) from the employees. The data from questionnaire states that the compensation does have a role to play on employee performance in

Kulno Türk, Tõnu Roolaht(2007), Appraisal and compensation of the academic staff in Estonian public and private universities: A comparative analysis. University of Tart, TRAMES, 11(61/56).

Omotayo Adewale , Adenike Anthonia , Hezekiah Olubusayo (2014). Compensation packages: a strategic tool for employees' performance and retention, Leonardo Journal of Sciences, Issue 25, July-December 2014.

Sara L. Rynes and Barry Gerhart(2000), Compensation in Organizations, Jossey-Bass Inc.

Tahira Nazir, Saif-Ur-Rehman Khan, Syed Fida H 1 1 2 ussain Shah and 3Khalid Zaman (2013). Impact of Rewards and

Compensation on Job Satisfaction: Public and Private Universities of UK, Middle-East Journal of Scientific Research 14 (3).