

PERCEIVED ORGANIZATIONAL SUPPORT VERSUS COMPENSATION FOR EMPLOYEES' SATISFACTION IN BANKS OF PAKISTAN

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Abstract

Satisfied workforce is a prerequisite for the success of organizations. Current research focuses on finding a perfect way of keeping employees satisfied by comparing perceived organizational support and 'compensation and reward' in the banking sector of Pakistan. In order to fulfil this objective, data was gathered from 100% employees of each of the 72 branches which were selected by using simple random sampling technique. Survey based on structured questionnaire was made. 400 questionnaires were distributed out of which 347 were returned, quoting a response rate of 87%. In order to analyze gathered data, SPSS 21 was used. Pearson's correlation and simple linear regression were used for testing hypotheses. Results displayed that both perceived organizational support and compensation play role in increasing job satisfaction but there is dominancy of one factor in this regard. Findings will not only enable banks to have satisfied employees but also satisfied customers.

Keywords: Perceived organizational support, compensation and reward, job satisfaction.

Introduction:

In the new organizational era, organizations need to be very competitive for their survival in market (Zia-ur-Rehman, 2012) for which the most essential thing is to get best out of employees (Singh and Singh, 2010). In this regard, perceived organizational support (POS) and 'compensation and reward' (CR) seems important as they

hold significant value among employees. Mustapha (2013) stated that compensation is employees' priority during job hunting activities as everyone is facing difficulty in meeting their basic needs. Danish (2013) further added that once their hunt is completed and they enter in an organization their contribution depends upon the fact how much they are supported.

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Keeping in view the significance of perceived organizational support and compensation for employees, current study involves comparing these two in finding solution to problem of employees' dissatisfaction in the banking sector of Pakistan which as per Ansari (2007) is the major contributor towards economic growth and development of a country but even in 21st century is suffering from ignorance towards managing human resource (Saleem et al., 2012). Job satisfaction (JS) can be defined as the degree of likeliness of employee towards his job (Saleem et al., 2013). Satisfied employees show good performance and remain committed toward their organization (Al-Hussami, 2008). Unfortunately, nowadays organizations are unable to enjoy such benefits as they have failed to satisfy their employees. A research concluded that organizations are facing issue of dissatisfied employees which is becoming an important reason behind many problems faced by them (Ali, 2008). Study conducted in 2011 explored that one of the biggest issues faced by the banking sector of Pakistan is job satisfaction (Khan et al. 2011). While discussing its affect, Awan & Asghar (2014) explored that 45.33% of banking sector employees stated that their dissatisfaction with pay often don't let them to perform well at their workplace. Kazmi (2011) further elaborates this fact by highlighting that 500 patients were died when doctors from all over Pakistan did strike and remained absent from their work due to their dissatisfaction with pay level,

care and promotion policies. Lack of satisfaction is the issue that not only needs to be addressed in developing countries but also in the developed one. It is validated by Heller et al. (1993) who conducted study on public school teachers and concluded that 50% of them were not satisfied from their job which directly affected their productivity. Thus this research focused on helping organizations specifically banks in making their employees satisfied who as per Hassan et al. (2011) have realized that satisfying their workforce is very necessary for them in current competitive market place. Another research conducted in 2012 explored that recently banks have started paying more attention towards their customers and shareholders which has made it necessary for them to have satisfied employees (Saleem et al., 2012).

Literature review:

Perceived organizational support:

Perceived organizational support is a feeling of employees that how much they are cared and their work admired by the organization (Eisenberger et al., 1986). It relates to social exchange theory (SET) which states that in a social relationship series of interactions depend upon the deeds of the other partner which then creates obligations (Steers, 1977). Thus perceived organizational support can be explained as a transaction between an employee and organization in which organization fulfills his needs by providing socioeconomic support while employee delivers effort and loyalty to organization

(Aselage & Eisenberger, 2003). Further Perceived organizational support is developed on the basis of organizational support theory (OST) which states that employees attach humanlike features with organization and thus believe that actions taken by organizational agents are basically desire of organization and not agents' personal intention (Rhoades & Eisenberger, 2002). Levinson, H., (1965) used term "agents of organization" for boss and coworker. Thus it can be said that perceived organizational support consists of managerial support, supervisor's support and coworker's support (Ahmed et al., 2012). Popularity of perceived organizational support as a resource is continually increasing among managers in this new corporate world especially in services sector (Mowday, 1998). More the perceived organizational support the more employees will trust their top management (Webber et al., 2012). This causes an increase in job satisfaction while decreases role conflict, turnover intention and job strain (Harris et al., 2007). Another research also established that perceived organizational support has a direct relationship with job satisfaction (Colakoglu & Culha, 2010). Caesens & Stinglhamber (2014) explained it as that perceived organizational support develops self-efficacy in employees and make them feel engaged in job which ultimately increases their level of satisfaction. Further it is concluded that perceived organizational support is positively related to job performance with mediating effects of job satisfaction (Gaun et al., 2014).

Compensation and reward:

Compensation is defined as "all forms of pay or rewards going to employees and arising from their employment" (Dessler 2009, p. 250). Bernadin (2007) stated that compensation is composed of two parts. One is cash compensation i.e. direct pay and other is fringe compensation which includes many benefits. Benefits can be classified as legal and discretionary benefits. Another way of classifying compensation is monetary and non-monetary compensation/reward. Monetary compensation includes pay increase, stock options, bonuses and restricted stock while authority, participation in decision making, appreciation, job security, time offs and titles constitute non-monetary compensation (Yang, 2015). One researcher combine monetary and non-monetary items under term "reward". An important part of compensation is incentive. "Incentive refers to one particular form of payment that is intended to achieve some specific change in behavior" (Adams & Hicks, 2000). Compensation plays a vital role in the success of an organization (Yamoah, 2014). An efficient compensation system not only includes giving salaries or rewards for the current job done but also develops commitment in employees for future task (Blašková & Blaško, 2014) and thus becomes a reason behind organizational growth and expansion (Lai, 2011). Another objective which can be achieved by compensation is job satisfaction. It has continually remained among the top 5 factors which are central

for keeping employees satisfied (Yamoah, 2014). One study revealed that noncompetitive salary appeared as the most common factor in making employees dissatisfied (Davis, 2001). Research conducted on predictors of employees' job satisfaction in banking sector of Bosnia and Herzegovina revealed monetary compensation as important (Bustamam et al., 2014). Study by Yaseen (2013) showed that factors of compensation management i.e. pay, promotion opportunity, recognition and meaningful work are directly related to job satisfaction. Such positive relationship between compensation and job satisfaction is due to the fact that compensation and reward allow employees to meet all their needs. As a result they don't get irritated from workload and thus happily complete their duties (NL, 2012).

Job satisfaction:

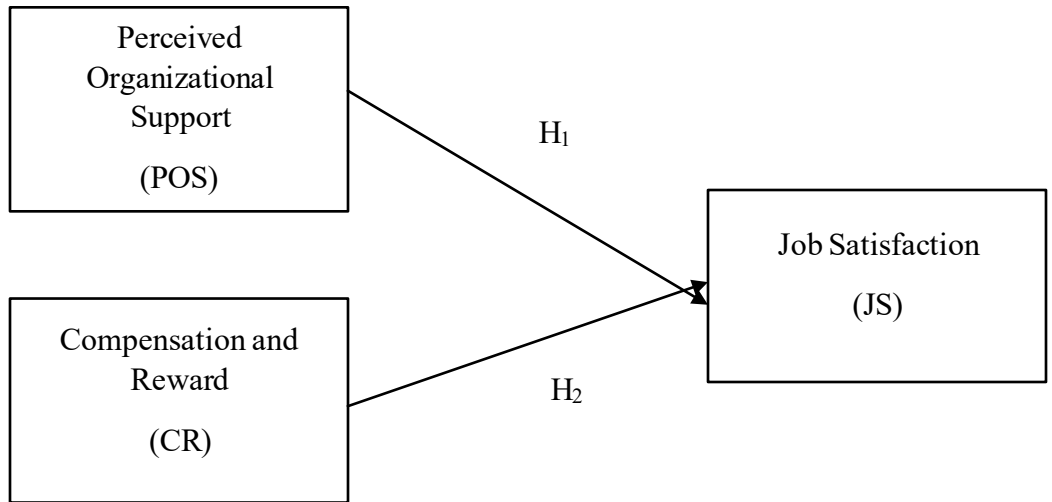
Job satisfaction is defined as the positive feelings of employee towards his job which are based on an assessment of job characteristics (Robbins & Judge, 2007). In other words, it is "a pleasurable or positive emotional state resulting from an appraisal of one's job or job experiences". These definitions highlight two important components of job satisfaction: (i) Evaluation (ii) Feelings and thinking (Locke, 1976). Job satisfaction can be classified as extrinsic and intrinsic satisfaction. Extrinsic satisfaction include satisfaction derived from outer factors like compensation, supervisor collaboration, working conditions and communication

style while intrinsic satisfaction comes from nature of work and appraisal of duty by employee (Yaseen, 2013). Job satisfaction is one of the most dominant area in research (Rafiq et al., 2012) which depicts its utmost significance. As per one research, a satisfied employee shows high motivation, low turnover (Yaseen, 2013), good performance and thus remains committed toward organization (Al-Hussami, 2008). Finally organization can have satisfied customers by having satisfied employees (Pathak, 2012). There are number of factors which effect satisfaction level of employees and thus enable organizations to have above stated advantages. An author classified job satisfaction factors in following way: (a) Personal factors- age, qualification, personality, gender etc. (b) Basic factors of a job – nature of job, required skills etc. and (c) Factors controlled by management – pay, working conditions, nature of supervision etc. (Singh & Sinha, 2013). Similar results are given by Saleem et al. (2013) who stated pay, job itself, opportunities of promotion and relationship with peers as satisfaction factors.

Hypotheses:

- H₁: Perceived organizational support positively influence job satisfaction in the banking sector of Pakistan.
- H₂: Compensation and reward positively effects job satisfaction in the banking sector of Pakistan.

Conceptual Framework:



Methodology:

Design of current study is explanatory in nature which aimed at finding main causes of job dissatisfaction issue.

- Above Officer Grade 1 (Above OG1)
- Officer Grade 1 (OG1)
- Officer Grade 2 (OG2)
- Officer Grade 3 (OG3)

Population and sample:

Banking sector of Pakistan was the focus of current research. Population of the study comprised of all the branches (including head offices and regional offices) of public, private and foreign banks operating in Lahore.

In order to get a representative portion of population, simple random sampling technique was used and a sample of 72 branches from 718 branches was drawn.

400 questionnaires were distributed to 100% employees of each branch out of which 347 were returned filled, showing response rate of 87%. Researchers arranged three visits for each branch to get maximum response. On average 3-4 branches were visited in a day and in this way data collection was completed in a period of two months.

Instrument:

A structured questionnaire comprising of 18 items including 8 items of perceived organizational support, 5 items of job satisfaction (Hochwarter et al., 2003) and 5 items of compensation and reward (Demo et al., 2012) was used. Responses for each item were recorded on a seven point Likert scale, starting from 1: strongly disagree and ending at strongly agree: 7.

Data analysis approach:

After data collection next step is to analyze data. This study involves bivariate analysis which is defined as analysis of two variables at a time to find out their relationship (Bryman and Bell, 2007). In order to do so, this research used SPSS 21. Collected data was interpreted by analyzing its reliability, descriptive statistics, correlation and regression.

Data collection:

Data was collected by physically visiting each branch and same questionnaire was distributed among all respondents irrespective of their grades which are as follow:

Reliability was checked through Cronbach's alpha (α) which in current case is 0.816. Demographic information was obtained by descriptive statistics i.e. calculating frequencies and percentages. Pearson's

correlation was used to measure correlation which is used in case when there are two continuous variables (Pallant, 2005) while simple linear

regression was used to check the impact of one independent variable on a dependent variable (Zou et al, 2003).

Results and discussion:

Findings of current study are presented in tables. Table 1 shows that majority of the respondents were male (72.3%). 51.6% of them were married and 65.1% were those all three types of banks, employees of private banks were largest in number i.e. 68.6%.

with masters qualification. Most of the respondents were belonging to officer grade 2 (31.7%) and 32.6% of employees had a job experience of 1 to 3 years. Moreover, among

Table 1: Descriptive statistics

Variable	Category	Frequency	Percentage
Gender	Male	251	72.3
	Female	96	27.7
	Total	347	100.0
Marital status	Married	179	51.6
	Unmarried	168	48.4
	Total	347	100.0
Qualification	Graduation	98	28.2
	Master	226	65.1
	M.Phil.	16	4.6
	Others	7	2.0
	Total	347	100.0
Managerial level	Above OG1	65	18.7
	OG1	73	21.0
	OG2	110	31.7
	OG3	53	15.3
	Others	46	13.3
	Total	347	100.0
Job experience	1 to 3 years	113	32.6
	4 to 6 years	76	21.9
	7 to 9 years	73	21.0
	10 years above	85	24.5
	Total	347	100.0
Type of bank	Public	54	15.6
	Private	238	68.6
	Foreign	55	15.9
	Total	347	100.0

Table 2 shows that perceived organizational support is significantly correlated with job satisfaction at ($p < 0.01$). Relation of perceived organizational support with job satisfaction [$r = .381, n = 347$] is moderate and positive. Thus it can be said that a prominent rise in

employees' satisfaction can be seen along with increase in perceived organizational support. Compensation and reward is also significantly correlated with job satisfaction at ($p < 0.01$) and has a moderate and positive relationship with job satisfaction [$r = .371, n=347$].

Table 2: Correlational analysis

Variables	JS	POS	CR
JS	1		
POS	.381**	1	
CR	.371**	.547**	1

**.

Correlation is significant at the 0.01 level (2-tailed).

Table 3 illustrates regression results. R^2 is a measure of model's goodness of fit. It indicates proportion of variation in dependent variable which is explained by the independent variables (Abbasi & Rana, 2012). Value of $R^2 > .25$ is considered acceptable (Alvi et al., 2014). Here R^2 of 0.296 indicates that 29.6% variation in job satisfaction is explained by perceived organizational support and 'compensation and reward'.

F value shows how significantly independent variables influence dependent variable (Ejaz, 2012). In other words it discusses that how much significantly it can be said that R^2 is not equal to zero (Vijay G, 2000). The high value shows high significance (Ejaz, 2012). As p-value is 0.000 i.e. less than

0.05, it shows that overall model is significant. F value of 38.473 depicts that perceived organizational support and 'compensation and reward' significantly influence job satisfaction.

B-coefficient shows the change in dependent variable which arises as a result of one unit change in independent variable (Gull & Zaidi, 2012). Here B-coefficient indicates that 26.9% of variation in job satisfaction is caused by perceived organizational support while 17.2% of variation in job satisfaction is caused by compensation and reward. t value of 4.355 > 0 and 3.991 > 0 at $p < 0.05$ shows that there is a significant influence of perceived organizational support and 'compensation and reward' on job satisfaction respectively. So it is evident that H_1 and H_2 are accepted.

Table 3: Regression analysis

	Beta	t-value	p-value
Constant	2.531	10.915	.000
POS	.269	4.355	.000
CR	.172	3.991	.000
R²	.296		
F	38.473		.000

Dependent variable: JS

Conclusion:

Current study concluded that both perceived organizational support and compensation results in increasing satisfaction level of employees working in the banking sector of Pakistan but role of perceived organizational support is dominant in this regard as evident from table 3. This suggests that employees remain satisfied if they get a highly supportive organization even in absence of fair compensation. Thus keeping in mind the preference of workforce, banks should give special focus on providing a supportive work environment where seniors are caring and appreciating plus coworkers are helping in order to have good performers. Using results of this study, banking sector will become able to have happy employees and thus satisfied customers.

Limitations and future research:

Current study was limited to the banks suited in premises of Lahore (Pakistan) due to which results cannot be generalized for other sectors and countries. Data collection involved self-reported answering. Thus responses relied on honesty of employees and researchers were unable to verify them. Moreover there were financial constraints too. For future research it is recommended to repeat this study in other sectors. Moreover, impact of gender, managerial level and marital status can be studied regarding relation of perceived organizational support and ‘compensation and reward’ with job satisfaction.

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